NATIONAL MUNICIPAL REVIEW

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THIRTY-SECOND ANNUAL MEETING

NATIONAL MUNICIPAL LEAGUE

ST. LOUIS, NOVEMBER 9 AND 10

HEADQUARTERS, STATLER HOTEL

TUESDAY, NOVEMBER 9

10:00 A. M. **Better Governmental Organization of Metropolitan Regions as an Aid to City Growth.**—Professor Thomas H. Reed, University of Michigan.

The United States is becoming a network of metropolitan regions. Large cities have many satellite towns with governments poorly constructed to meet community needs. City planning is hindered and growth with comfort obstructed. Professor Reed has just returned from a study of London, Paris and Berlin and will apply European practice to American conditions.

Necessary Next Steps in Protecting the City Plan.—Alfred Bettman, Esq., Cincinnati.

To be worth anything, city plans must be carried out, but in the course of the years many influences arise to defeat them. Should cities be given new legal powers to protect the integrity of the city plan by controlling private interests which would ignore it? Mr. Bettman is a member of Secretary Hoover's committee to draft a city planning enabling act and will explain what new powers should be given to cities.

The Skyscraper Menace.—Major Henry H. Curran of the New York City Club.

Major Curran would limit buildings to a height of ten stories, and thus control congestion and assure light and air to all. The cure is drastic but may be needed. Mr. Curran was candidate for mayor of New York in 1921, and more recently commissioner of immigration at Ellis Island.

12:30 P. M. Luncheon.

Are We Spending Too Much For Education?—Dr. A. Ross Hill, Kansas City (invited).

In some cities expenditures of public education equal or exceed those for all other municipal purposes put together. Is the public school system operated as efficiently and economically as taxpayers have a right to demand? Are the public schools offering the right sort of education?

What Place Has a Street Railway in a Modern City?—J. M. Shaw, Editor of *Service Talks*, Philadelphia Rapid Transit Co.

Mitten Management operates the Philadelphia street railways, and the elevated and subway lines; it owns and operates the local Yellow Taxicab service, an extensive bus system in Philadelphia, an interstate bus service to New York and a daily aeroplane passenger service to Norfolk and Washington. They are trying to find out whether the street car is obsolete.

7:00 P. M. Dinner at Hotel Statler.

WEDNESDAY, NOVEMBER 10

10:00 A. M. **Has Governmental Regulation of Public Utilities Broken Down?**—John Bauer, Public Utility Consultant, New York.

Advocates of public ownership argue that public control of our utilities has failed. Problems of valuation, fair return and service, they say, have been too much for the utility commissions. Others believe that the utilities can be controlled in their own interest and that of the public.

Service-at-Cost Franchises—Panacea or Nostrum?—Professor Martin L. Glaeser, University of Wisconsin.

Service at cost has an attractive sound and has been heralded by enthusiastic supporters as the solution of our street railway problems. St. Louis is now considering a service at cost franchise for her street railways. Is it a good franchise?

Are City Governments Extravagant?—Dr. Lent D. Upson, Director, Detroit Bureau of Governmental Research (invited).

Is the federal government operated more economically than the city? Is the accusation that cities are indulging in orgies of spending true? How can cities save money without hampering services?

12:30 P. M. Luncheon.

Symposium on City Manager Government.

1. **What It Is and Why It Succeeds.**—Dr. A. R. Hatton, Member of Cleveland City Council.
2. **Critical Report on Its Operation in American Cities.**—Prof. Leonard D. White, Chicago University.
3. **Discussion.**—Walter Matscheck, Kansas City.

3:00 P. M. **Annual Business Meeting of National Municipal League.**

All sessions, except the business meeting, are open to the public. Plan to attend.

EDITORIAL COMMENT

Meeting of the American Municipal Association.

The American Municipal Association will hold its third annual convention in St. Louis at the Statler Hotel, November 10 and 11. The time and place was arranged so as to permit the delegates to take advantage of the annual meeting of the National Municipal League. The American Municipal Association comprises at present eighteen state and municipal organizations within the United States and the Union of Canadian Municipalities.

The purpose of the organization is to assist the particular state leagues of municipalities in the promotion of approved methods of municipal government through the collection and exchange of information upon municipal subjects. Morris B. Lambie of the League of Minnesota Municipalities is president; Morton L. Wallerstein of the League of Virginia Municipalities is vice president, and John C. Stutz of Kansas is executive secretary.

The meetings of the Municipal Association are open to members of the National Municipal League.

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A Correction.

On page 507 of the September REVIEW is found the astonishing statement that in 1906 New York City had one municipal employee for each 59,000 of the population and in 1926 one for every 52,000 ordinary private persons. It takes no adding machine or Ph.D. in mathematics to recognize in these figures a lamentable lapse in editorial watchfulness. The figures, of course, should have been one in 59 and one in 52, respectively.

An observant reader writes the editor thus:

To the Editor:

The September issue of the NATIONAL MUNICIPAL REVIEW carried a most interesting article, "New York City's Expanding Government", and disclosed some astonishing figures. For example: "New York City has 116,000 employees in 1926, one employee to every 52,000 population." Of a truth the ideal in municipal government has been attained and I ask that you exert to the utmost any influence you may have to put an end to Mayor Walker's Survey Committee. One employee to 52,000 population is too fine a machine for a crowd of amateurs to experiment with; some one will be sure to throw a monkey wrench in the works.

Alas! How disillusioning are cold figures. New York has not six billion population, only six million, one employee to every 52 population. Boy, page the proofreader!

Very truly yours,
C. F. AUFDERHAR, JR.

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A Public Accomplishment With a Lesson

Mr. Caparn, who reviews in this issue the final report of the Bronx Parkway Commission, directs attention to a notable public achievement in favor of health, recreation and beauty. The Bronx River, a diminutive stream, flowing through Westchester County, New York, into the Bronx had become polluted to the point of foulness. Legislation initiated in 1906, but not operative until 1913, established the Bronx River Parkway. This parkway has been constructed at a cost of sixteen and a half million dollars and rarely has public money been spent to better advantage. The beautiful valley is now completely restored as a thing of beauty and a joyforever.

The lesson, as Mr. Caparn points out, is the importance of advance

planning and early acquisition of land for park purposes. Irrespective of increases in land values later, the mere process of condemnation, necessary if improvements are not planned long in advance, involves a heavy burden which should be avoided. Much of the land for the Bronx Parkway was acquired by private purchase, but when the owners' prices were exorbitant it was necessary to resort to condemnation. But the expenses of condemnation proceedings averaged $987 per parcel as against an expense of $153 per parcel for acquiring land by negotiations. The average purchase price per parcel in the former case was $9,454; in the latter case $5,366. While these figures are not conclusive they tend to demonstrate that the price of land purchased directly is much more reasonable than in the case of property condemned; and it is clear that the expenses of administration were six times as great in the latter as in the former. In the words of the commission, "These figures show in a striking manner the iniquitous extravagance of the system of condemnation by the employment of commissioners of appraisal." Doubtless the methods of condemnation can be improved, but the real moral of the Bronx Parkway is—Plan Your Parks Before You Need Them.

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Future Government of Irish Cities.

John J. Horgan, author of the article in the August REVIEW on local government in Ireland under the Free State, has outlined in the pages of the *Irish Statesman* a model scheme for the future government of Irish cities. Unlike the present municipal government in the British Isies, Mr. Horgan's plan separates the legislative and executive functions. The former are entrusted to a council of five members, elected by proportional representation from the city at large and serving for a term of five years. The executive functions are placed in the hands of a city manager who shall be responsible for the proper administration of the city and who shall make all appointments.

The first manager in each city is to be appointed by the minister for local government; but thereafter the position shall be advertised, and the city council shall forward the applications received to the local government appointments commission, who shall arrange them in order of merit. The council shall thereupon appoint one of the first two so placed. The power of removal or suspension rests with the minister for local government upon proof at a public hearing of a particular manager's incompetence or dishonesty.

Readers of Mr. Horgan's article in the REVIEW will recall that Dublin and Cork are at present governed by commissioners under the direct control of the local government department of the Irish Free State, and it seems that this plan is to be continued for at least a further period of three years. To an American filled with the spirit of municipal home rule, Mr. Horgan's outline for a model form of government seems bureaucratic and over-centralized. His city manager is to have the right of appeal to the minister for local government, if, in his opinion, any rate or rates levied by the council are excessive or inadequate for the requirements of the city. Furthermore, Mr. Horgan practically denies to the city council the power of selecting the manager and takes away from it entirely the power of suspending or dismissing him.

Viewed from the standpoint of the present government of Dublin and Cork, Mr. Horgan's proposal is liberal; but viewed from the standpoint of the freedom enjoyed by an American municipality, the scheme runs counter to some of our most cherished principles.

ARE OUR TAXES BURDENSOME?

BY JOHN A. ZANGERLE
Auditor of Cuyahoga County, Cleveland

Taxes have increased, but not in proportion to increased wealth and luxury expenditures. :: :: :: :: :: :: :: ::

At no time during the nineteen years of my connection with administration of local taxes has there been such a general hue and outcry against the tax burden. The farmer, the retail business property owner, the merchant, the manufacturer, the public utility operator—all are determined that their taxes are too high; each feels his own property is discriminated against and each is willing to be relieved and to see the other fellow additionally burdened. Complaint is lodged not only against the national but also against the state and local burden. Any and all taxes seem to be more and more irritating.

Let us take inventory of the general nation-wide and local conditions. As has frequently been pointed out, the national, state and local tax burden has been rapidly rising and has in fact risen from $17.07 per capita in 1903 to $22.73 in 1913, to $64.63 in 1922, since which time the tax burden has been showing few signs of abatement, since local increases, generally speaking, are taking up any slack resulting from reduced federal exactions. In a general way, it may be stated that the tax burden has doubled in five years and tripled in ten years in localities enjoying no increase in population. This increase in the tax burden, however, is better understood in percentage of income as worked out by the National Industrial Conference Board. For after all, it is not a question of how many more dollars are being appropriated by our public authorities but rather what proportion of our income is taken. Thus we find in 1913 6.4 per cent of the national income was absorbed, while 12.1 per cent was absorbed in 1922. On the basis of these figures each person in this country had to contribute the result of 6 ½ weeks' income in 1922. According to the United States department of agriculture, the taxes on Ohio farms absorbed 30. 8 per cent of the net rent in 1919 and 44.9 per cent in 1922. It goes without saying that if this pace is maintained much longer the time is not far off when ownership of property may represent an empty honor, a devitalized asset—for the real and beneficial ownership will not be in the title holder but in the government.

REASONS FOR INCREASE

It is well known that the main reason for this heavy increase in the tax burden is due, first, to the inflation of money, involving, of course, increased costs of government, and second, to the ever-increasing demands for public service. Better schools, wider curricula, circulating libraries, better roads account for the largest increase. Aside from these main inroads on the public exchequer are the increasing demands for social welfare expenditures. It does seem as though the French philosopher of the eighteenth century, Montesquieu, was right when he said, "Liberty increases government expenses" and Prof. Ely more lately when he said, "As our Government becomes more democratic and

socialized, expenses will be increased and as a correlary that the administration of taxes must also become more democratic and socialized."

ARE TAXES BURDENSOME?

On the other hand, contrasted with this mounting tax burden on property and persons, we must take note of the following general industrial and financial conditions in the United States:

1st. Corporations have been forming by leaps and bounds since the year 1913. The yearly average of new corporations has been three to five times the pre-war figure.

2nd. Capital is becoming increasingly abundant. New security issues, excluding refunding issues, have increased from approximately $3,634,000,000 in 1920 to approximately $6,480,000,000 in 1925.

Capital has since the war become so abundant that Uncle Sam is investing several billion surplus capital for garden and play spots in Florida and California. Additional savings are being put into life insurance policies, which has almost doubled since 1921.

3rd. The increasing construction of buildings. 1925 construction in the United States exceeded 1921 by 50 per cent. The 1925 construction permits of our five largest geographical districts, for which such statistical data is available, is six times as large in dollars as for the year 1913.

4th. The increase of the number of deposit accounts, as well as the average amount of savings bank deposits. The savings bank deposits in 1912 in the United States per capita were $89.00; in 1925 they were $204.00. The total savings accounts in the United States in 1912 were $8,425,275,000; they have now reached the $23,000,000,000 mark. The number of savings deposits in 1912 was 12,584,316; in 1922 they were 38,567,994.

5th. The increase in land values in the United States, in city and country. The department of commerce shows that the value of farm lands in the United States increased 92 per cent for the year 1920 over 1910, while the bureau of the census indicated that farm land had increased from $39.60 per acre in 1910 to $69.38 in 1920. While there has been some loss since 1920, the percentage of increase over pre-war values is still considerable. As to urban property, it is well known that land values have increased enormously since 1913. This will be found to be the case all over the United States, more of course in growing cities than elsewhere, which, having in mind the growing tax rates, is remarkable and significant indeed. It should be remembered that the value of land aside from the effect of the market rate of money increases only because the estimated present and potential income increases faster than the present and expected taxes and other expenses. The increase is still more remarkable in view of the fact that the cost of building construction has risen disproportionately to the price of commodities in general, thus tending to depress land values.

6th. The increase in wealth in the United States. Census figures show the wealth of the United States increased from 186 to 320 billions or 72.2 per cent from 1912 to 1922, during which time wholesale commodity prices increased somewhat less, viz. about 60 per cent.

7th. The unparalleled increase in the consumption of luxuries, e. g. radios, fur coats, candy and tobacco. The tobacco, ice cream and candy bill in the United States equals the total amount of the federal tax burden. Or comparing it with the expense for education in the United States, we may say that the candy and ice cream bill exceeds the cost of education. Expenditures for the movies have carried the

motion picture industry to fourth place in the rank of United States industries. Indeed, it is contended by many writers that our taxridden era will be known in history as an age of dance, play, leisure and luxury.

8th. Amazing increase in the use of auto cars in the United States. While ten years ago there may have been one passenger car for every twenty persons, there is probably one car for every five persons in the United States today. The cost of maintaining and operating passenger automobiles in the United States exceeds the entire local and state burden. A study by the University of Oklahoma shows that the total tax burden for state, county, local and federal purposes for the year 1922 was $80,000,000, in Oklahoma, while the automobile bill in the same state is about $107,000,000; in other words, about 33 per cent more is spent for automobiles than for government.

The cost of operating and maintaining 150,000 passenger cars in Cuyahoga county, Ohio, at $508.00 per car per annum, the estimate of the National Automobile Chamber of Commerce, would equal the entire local and state tax burden in this county. This auto indirect tax is assumed without grumbling or complaint.

BURDENS LIGHT COMPARED WITH EUROPE

In general, therefore, we note industrial and financial phenomena absolutely at variance with any theory of any serious burdensomeness of taxes in general. From these visible effects, it would seem that the economic benefits of American civilization had far transcended all governmental burdens.

So when we compare the tax burden in the United States with other European countries we find the tax burden relatively light here. According to the National Industrial Conference Board, total taxes per capita, national and local, for the year 1923–1924 were 11.5 per cent of the national income in the United States, compared with 23.2 per cent in the United Kingdom; 20.9 per cent in France; 19.2 per cent in Italy and 17 per cent in Belgium. These figures are certainly high compared with our 11.5 per cent, but they are even higher than the mere percentages suggest, since the range of individual incomes is lower in Europe and more nearly approximates a minimum standard of existence.

While we may thus be forced to the conclusion that no general depression has arisen through tax distressing requirements this in no way disproves that tax increases may not be burdensome to certain branches of industry, or to buyers of farms or real estate in cities speculating on a rise, or to financial investments in certain localities. It does not disprove that certain states or cities may be working under an undue handicap.

THE CHICAGO PRIMARIES OF 1926

BY CARROLL HILL WOODDY

The story of a primary election celebrated for lavish use of money, mud-slinging, irrational appeals to voters and absence of civic interest.

THE nominating system of Chicago and Cook county is the result of a legal evolution beginning in 1885 with the passage of an optional delegate primary law. In 1898 an improved delegate primary system was made compulsory in Cook county. In 1905 began a series of efforts to secure the direct primary. Statewide compulsory delegate primary laws passed in 1905 and 1906, and a direct primary law passed in 1908, were all declared unconstitutional. A valid law was enacted in 1910, and, as amended in 1913, remained substantially unchanged in 1926. The chief alterations since that time dealt with judicial offices, circuit judges being restored to nomination by convention, except in Cook county.

THE LINE-UP THIS YEAR

These laws, due largely to dissatisfaction with so-called "machine" control of politics, were passed against the opposition of professional political leaders, who again, in 1926, initiated efforts to test the direct primary in the courts. But in spite of the expectations of its advocates, the direct nominating system did not destroy the political factions in Chicago. The three major Republican groups in existence at the beginning of the twentieth century, led by Deneen, Lorimer and Busse, continued with shifting alignments through the period. In 1926 the chief Republican leaders Deneen, Crowe, Barrett, Brundage, Thompson, Lundin and Governor Small, formed two combinations for the primary contest; Small and Lundin supporting Deneen, and the remaining four acting together. In the Democratic ranks, George Brennan, successor of Roger Sullivan as Democratic "boss", was the dominant leader. Although his control was challenged by a protesting group calling itself the "Democracy of Illinois", led by ex-Governor Dunne, William L. O'Connell and Carter Harrison, Brennan was overwhelmingly successful in the primary. Though each of the group professed to be the authentic representative of its party, they were chiefly actuated by a desire to control the spoils, patronage and perquisites associated with public office. A long ballot and the absence or perversion of the merit system supplied rich incentives to the spoils politicians, particularly in the sanitary district, South Park commission, boards of assessors and review, and certain other county and city offices.

The persistence of strongly intrenched party factions discouraged independent candidacies and made the 1926 primary election chiefly a ratification of slates submitted by the leaders. Little influence could be exerted by the party voters except where a sharp factional contest within the party appeared, and here it was conditioned by the quality of the candidates composing the factional slates. These were named by slate committees resembling pre-convention caucuses of party leaders. Candidates were selected by a

process of bargaining resulting in a list satisfying, in roughly equitable fashion, the demands of leaders, sections, groups and classes for recognition.

THE WORLD COURT AND THE COUNTY TICKET

To conceal their selfish objectives and lack of real principles and the unfitness of many of their candidates, the factions based their campaigns upon appeals which were largely irrational, and presupposed the indifference, ignorance, unintelligence and emotionality of the electorate. The world court question was the principal issue between the Republican senatorial candidates; the violent newspaper campaign against the court enabling the Crowe-Barrett-Brundage-Thompson group to mobilize anti-court sentiment in favor of their county ticket by pretending that it was necessary to vote for their candidates in order to protest against the world court. While McKinley was beaten probably because of agricultural discontent down-state, the court question helped Smith to win in Cook county and greatly aided the C-B-B-T ticket. Both McKinley and the Deneen group back of him sidestepped the court issue. The latter charged their opponents with having made "bi-partisan alliances" with the Brennan Democrats, with responsibility for crime conditions because of "alliances between crime and politics", and with being guilty of mismanagement and corruption in the sanitary district and other governing bodies. While these charges, as shown later by the revelations of the recount and the grand jury investigation, were founded on truth, they failed to carry weight because the Deneen group, which made them, had accepted the support of Fred Lundin, a discredited politician, and Governor Small, whose pardon and parole record had recently attracted much criticism and who had just been held accountable for a million dollars in interest due the state. The prohibition question was made an issue, chiefly by the Democrats, but had little effect in the primary. All of the groups made efforts to gain the support of special sections of the electorate: farmers, business, ex-service men, women, racial, religious, fraternal and local groups.

CIVIC GROUPS INEFFECTIVE

The importance of fitness for office on the part of candidates was recognized by the factions chiefly through mud-slinging attacks on particular opponents. The chief contributions to the cause of good government came from civic organizations, such as the Better Government Association, Citizens' Committee of 200, Legislative Voters' League and a number of others, including certain women's groups, and from the newspapers. The latter, however, did not uniformly act in the public interest, the Hearst press in particular contributing largely to the irrational and destructive forces present in the campaign. The civic groups were ineffective in securing the nomination of the candidates recommended by them, largely because they lacked personnel and organization, while the campaigns of the factional groups were carried on by armies of well paid workers, often provided with jobs at the public expense, their activities directed by county committees with central headquarters, with cooperating clubs or organizations in all of the wards. The technique of campaigning employed resembled that of a general election, including both printed publicity and mass-meetings, the latter being characterized by the use of political repartee, slogans and catch phrases, and the simplicity and lack of variety of the appeals.

AN UNINTELLIGENT CAMPAIGN

A survey of the primary election as a whole reveals a number of important conclusions. In spite of active campaigning, the indifference of the voters was not overcome, little more than half of those registered participating. The victory of Smith was due to popular sentiment in his favor, developed, however, by appeals that were largely irrational. In the local campaign, the winning faction owed its victory to superiority in resources and workers. Voting on the whole was indiscriminate and unintelligent, the best qualified men were not uniformly nominated, the election was meaningless as an expression of public opinion. The voter was obviously so overburdened by the long ballot, created by the complicated governmental system, that he was unable, even if competent, to make wise selections.

While there were few minority nominations, the primary law and the electoral procedure under which the primary was carried on revealed serious defects. The election of party committee-men proved ineffective as a device for securing popular control of party organization. Party factionalism was sharpened, though this was not held to be important in purely local campaigns. The expensiveness of a primary campaign was revealed by the Reed committee investigating the senatorial primary, over a million dollars having been spent in the senatorial and county campaigns. The existing system of registration, the method of placing names on the primary ballot, and the procedure for selecting election officials were revealed as dangerously faulty, and other technical loopholes in the law were exposed.

Although the unsatisfactory nature of the existing nominating system was clearly demonstrated, the abolition of the direct primary was not regarded as desirable. Among suggestions for improvement of the local political situation are included proposals for consolidation of local governments with non-partisan elections, a short ballot, a genuine merit system in the civil service, the encouragement of voluntary civic agencies, and the patient development, through education, of a more enlightened and vigorous type of citizenship.

ST. PAUL ADOPTS A STABILIZED WAGE

BY JOHN B. PROBST
Chief Civil Service Examiner, City of St. Paul

Municipal salaries have been standardized and are adjusted each year in accordance with changes in the cost of living. :: :: ::

THE economic upheaval of the past decade had made it imperative throughout the world to make certain adjustments in the wage payments of workers. Due primarily to the absence of a monetary unit having a stabilized purchasing power, much strife and suffering have resulted from the periodic struggles between capital and labor to obtain, or to retain, a decent living wage for the employed. If labor's reward had always been based on a properly stabilized wage, changes in the cost of living would not have been felt by the worker and a main cause for the unprofitable economic warfare between him and his employer would not then have arisen.

During the past ten years the employees in private industry had a distinct advantage over those in the public service in securing an equitable wage. The fixing of government salaries is not generally susceptible to such easy and rapid changes as take place in private employment. Municipal salary changes are slow, erratic, and notoriously lacking in uniformity. To bring about some measure of justice for the public employees, considerable thought has been given in recent years to the devising of schemes for standardizing their salaries.

ANNUAL ADJUSTMENTS SINCE 1922

Standardization usually implies the fixing of a fair living wage, plus a practical application of the principle of "like pay for like services". Many cities have attempted, and some have adopted, some sort of salary standardization. The city of St. Paul, however, not only adopted a standardization, but has also had in effect since the year 1920 an adjustable plan,—a plan that provides for annual adjustmen in salary based on the rise and fall in the cost of living. The adjustable standardization in operation at the present time was adopted in October, 1922, and has been rigidly adhered to since then, with only minor changes. Although our civil service bureau has no jurisdiction in the matter of fixing salaries, this adjustable plan, as devised by our bureau, was voluntarily adopted by the city council as a companion measure to the revised civil service classification which the bureau prepared and presented to the council for its approval in October, 1922.

Our standardization contains twenty-six standard salary rates, as shown in the summary below:

	Basic Entrance Salary (1916)	Adjusting Percentage Increase to Offset Cost-of-Living Increase Since 1916	Adjusted Entrance Rate to June 30, 1925
Standard Rate No. 1	$32.50	52	$49.40
" No. 2	40.00	52	60.80
" No. 3	45.00	52	68.40
" No. 4	50.00	52	76.00
" No. 5	55.00	52	83.60
" No. 6	60.00	52	91.20
" No. 7	65.00	52	98.80
" No. 8	70.00	52	106.40
" No. 9	75.00	52	114.00
" No. 10	80.00	52	121.60
" No. 11	85.00	50	127.50
" No. 12	90.00	48	133.20
" No. 13	95.00	46	138.70
" No. 14	100.00	44	144.00
" No. 14½	105.00	44	151.20
" No. 15	110.00	42	156.20
" No. 15½	115.00	40	161.00
" No. 16	125.00	40	175.00
" No. 17	150.00	34	201.00
" No. 18	175.00	30	227.50
" No. 19	185.00	28	236.80
" No. 20	200.00	26	252.00
" No. 21	225.00	22	274.50
" No. 22	250.00	18	295.00
" No. 23	300.00	8	324.00
" No. 24	375.00	(Flat Rate.—Not entitled to adjusting or seniority increases.)	

The year 1916 was taken as a base because, so far as could be learned at the time, the consensus of opinion among leading economists was that the level of prices would return, not to a pre-war basis, but in all probability to the level that prevailed in 1916. The basic minimum rate is the salary that, under conditions such as prevailed in 1916, was deemed fair and equitable for the class or group of positions to which the rate is applied. To this basic rate was then added a percentage increase for the purpose of ascertaining the proper rate of pay for the year 1922, when the plan was adopted.

UNITED STATES' INDEX NUMBERS USED

The percentage increase was determined by calculating the increase in the cost of living for the average family in 1922 over the cost in 1916, as shown by the index numbers published by the United States bureau of labor statistics. The full percentage increase, however, is only allowed to the lower-paid employees, and this on the popular theory that the higher-paid are not affected so seriously by a rise in the cost of living. The standardization then provides that adjustments shall be made in June of each year and that these adjustments shall be based on the latest available statistics secured by the labor bureau through its periodic cost-of-living surveys.

Twenty-six standard rates are now in use for our entire classified civil service. The council allocates to each of these twenty-six rates certain grades of positions, as shown in the civil service bureau's classification. For example, the council ordinance relating to Rate 12 reads as follows:

> Standard Rate No. 12 shall be payable, as provided in this ordinance, as a current adjusted entrance rate of $133.20 a month in each position classified in the following grade of service:
>
> Grade 2 of Fire Service
> Grade 3 of Police Service
> Grade ... of Library Service
> Grade ... of Clerical Service
> Etc.

"Grade 2 of Fire Service" includes the titles of fire fighter, fire chauffeur, and fire prevention inspector; "Grade 3 of Police Service" includes the titles of patrolman, police chauffeur, police operators, and several others. Individual positions or titles are not mentioned in the ordinance at all; the only reference is by "grade" and "service". Whatever rate of pay is applied by the council to a particular grade of service must apply uniformly to all the positions in such grade, that is, salaries must be fixed by grade and cannot be fixed for individual positions or titles. The basic rate of pay, for instance, could not be changed for police operators without also changing it for the patrolmen, police chauffeurs, and others in that grade of service, unless of course there were a reclassification of the title of "police operator" by the civil service bureau.

BENEFITS

It would be difficult to enumerate all the benefits accruing from our adjustable salary plan. Among other things, it has brought about greater harmony and contentment among the city's working force; it has done away with the haphazard granting of salary increases in response to pleas of higher living costs; it has provided the council, the employees, and the public with a readily accessible means of determining any compensation rate in the city employment by reference to a single ordinance embodying a uniform plan. Most important, it provides the council with a definite, certain, and equitable method of *reducing* salaries as well as *increasing* them, and in this respect it will be a prime necessity when

the time comes to reduce salaries, and to reduce them without politics, favoritism, discontent, and general demoralization of the service.

Of course, it is but natural that the plan should have worked well up to this time, because the annual adjustments that have been made since 1922 have been upward. Even though the increases were slight, they were nevertheless on the sunny side for the employees. It cannot be denied that the crucial test of the plan will take place as soon as one of the annual adjustments calls for a revision downward. It is a firm belief, though, that inasmuch as the employees of the city have virtually entered into an agreement with the taxpaying body, through its representatives in the council, to accept and abide by the adjustable salary plan, that these same employees will stand by their agreement with the taxpayers and,—cheerfully or reluctantly,—accept the bitter with the sweet. In fact, it is difficult to understand how the employees can very well do anything else, and it is still more difficult to conceive of the city council justifying itself before the voters in case it should fail to make the adjustments on a declining scale just as promptly as it made them when the revision was upward.

PROTECTION TO ELECTIVE OFFICIALS

Whether the elective officials are conscious of it or not, the plan has unquestionably been of material aid in surrounding them with an atmosphere of comparative calm. They have been singularly free from the pleadings, the pressure and the demands that usually attend most other plans of fixing compensation rates for public employees. They have spared themselves many a painful hour of controversy with respect to the fixing of individual salaries, have avoided making many political enemies, and have found much more time to devote to constructive work for better government. They have thus been able to serve the community more efficiently and, incidentally, with a better record with which to make a legitimate appeal for re-election.

Prior to the adoption of this plan, the various departments each had its own administrative ordinance in which was fixed the compensation for the workers in that particular department. Confusion, uncertainty as to authority, frequent requests for interpretations by the corporation counsel, time wasted by employees through discussions of the various advantages of employment in one department over another,—all these and other ills resulted. Any fixing of compensation rates by numerous bodies, when there is no co-ordinated action or salary standardization, will always produce dissatisfaction and injustice among the personnel, as well as wastefulness and a general breakdown of the morale of the service. Under the old system it required likewise a separate council ordinance to change the rate of pay for each department. Now, one amendment suffices for the entire classified service, and what is more, the amendment is sure to affect all the employees uniformly.

PREVIOUS CHAOTIC CONDITION

To illustrate what usually happens in a municipality when salaries are fixed by administrative ordinances for individual departments, instead of through some uniform ordinance covering all departments, there is reprinted below a chart showing the condition that existed in our own city just prior to the adoption of our adjustable salary standardization. The chart refers to various titles of positions by number, embracing approximately 550 employes. These twenty-five positions had been

fairly graded within a single group as positions of equal value to the city. That was in February, 1918. From that date to August, 1919, the rate for all these positions remained the same. But from August, 1919, to April, 1920, during a time when the councilmen preferred to change salaries for their individual departments, according to their own discretion,—as was their prerogative,—the positions as indicated on the slant lines were increased as there shown. Three of the positions were given an increase of 53 per cent, while one position was given no increase at all. To prevent conditions of this kind, with all the attendant evils that follow, the adjustable salary standardization now in effect was born; and, with pardonable pride, it is hoped was not born to meet an untimely death.

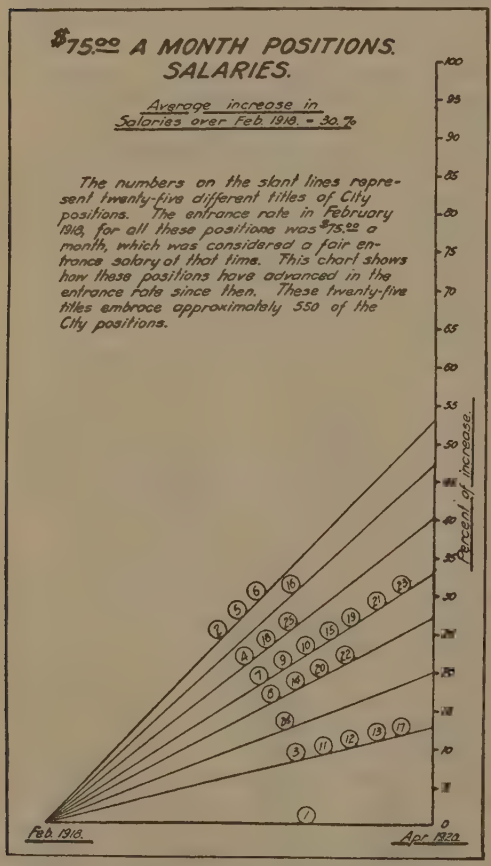

CHART SHOWING INEQUALITIES BEFORE ADOPTION OF STABILIZED SALARY STANDARDIZATION.

It is likewise a curious fact that, although the great bulk of the appropriations of any municipality is expended for salaries and wages, very little will be found in most present-day charters in the way of restrictive provisions on the expenditure of this huge amount, nor any real safeguards to insure its being paid out equitably and economically. Our own city charter contains 140 pages, with possibly less than a half dozen referring in any way to the fixing or control of salaries and wages. If there is eliminated from our budget in the city of St. Paul such items of interest charges, sinking fund requirements, lands, and new construction, it will be found that of the remainder,—which might well be termed the net operating expenses of the city,—eighty-five per cent is expended for salaries and wages. This condition must evidently be quite similar in most other cities.

Our charter does contain a sentence that "remuneration of persons in the employ of the City of St. Paul shall be uniform for like services in all departments" but it has never been determined just who is charged with the duty or with the power of enforcing this provision.

It manifestly behooves charter farmers to place considerably more emphasis on a proper control of the expenditure of this eighty-five per cent of the net operating budget of a municipality.

UNHAPPY REVELATION IN DISTRICT OF COLUMBIA'S GOVERNMENT

BY FRED TELFORD
Director, Bureau of Public Personnel Administration

Recent disclosures show that municipal government in the Nation's Capital is not all that it should be. One commissioner has resigned. Another commissioner and president of board of education are involved.

VOTELESS Washingtonians have been frequently assured by persons purporting to speak with some authority that under their form of government, with Congress acting as the legislative body and three commissioners appointed by the President in charge of administrative affairs, they fare reasonably well as compared with residents of other cities. They have been told that even if no exceptional degree of competence in handling municipal affairs has been attained they may congratulate themselves on having an honest, reasonably efficient city government. Discriminating residents and tax payers of Washington have for some years received such assurances with the tongue in the cheek. Their skepticism seems to be more than justified by the disclosures of the last year and particularly by the investigations and reports of three congressional investigating committees which have led to the resignation of Commissioner Frederick A. Fenning and to committee condemnation of some of the practises of Commissioner Cuno H. Rudolph and of Edward C. Graham, president of the board of education.

CONGRESS INVESTIGATES

During a good deal of the late winter and early spring three separate congressional committees—one a sub-committee of the house committee of the District of Columbia, one the house committee handling affairs relating to veterans, and one the house judiciary committee—were looking into District affairs from one angle or another. Representative Blanton of Texas, who is a member of the District sub-committee, filed thirty-four formal charges against Commissioner Fenning asking for his impeachment, which were investigated by the house judiciary committee. Both the District sub-committee and the veterans' committee looked into Mr. Fenning's activities as committee for insane veterans confined at St. Elizabeth's Hospital in Washington. The District sub-committee also investigated District affairs in general.

The majority report of the house judiciary committee held that Mr. Fenning was not a federal officer and was therefore not subject to impeachment. It held that Mr. Blanton's thirty-four charges either were not sustained, or were not supported by testimony, or were not proved to be violations of the law. It took occasion, however, to condemn a number of Mr. Fenning's practises as well as those of other officers of the District who "transact business with the District through cor-

porations in which they are directly or indirectly interested." According to the majority report "this is a practise which is subject to severe criticism and condemnation and if continued necessarily leads to favoritism." The minority reports were not so favorable to Mr. Fenning; he was held to be a federal officer and his impeachment was asked for because of his alleged improper activities.

GUARDIAN OF INSANE VETERANS

Mr. Fenning's activities as committee or guardian for insane veterans received most attention. It was brought out that he was acting as committee for approximately one hundred insane veterans; that he was appointed in a large number of cases upon the recommendation of Dr. William A. White, superintendent of St. Elizabeth's Hospital; that these recommendations in many cases were prepared in Mr. Fenning's office, sent to Dr. White, signed by him, forwarded to the court, and there carried out, all in a more or less perfunctory fashion; that Mr. Fenning's charges were regularly ten per cent of the income of the veteran and in some cases much higher; that his charges often exceeded the amount spent for the veterans for all other purposes; that his total income from this source for several years amounted to approximately $20,000 a year; that "by reason of the great number of his wards his guardianship became impersonal and he could not and did not give to his wards that personal care and supervision which after all is the more important function of a guardian or committee"; that in giving bonds for the estates of his wards he acted as representative of the bonding company and himself received one-fourth of the premiums charged; that he acted as attorney for an undertaking company which buried some of his wards when they died; that he was a stockholder and director in the bank in which his wards' moneys were deposited; that employees in his office received notary fees paid by the veterans; that relatives and friends were paid medical and legal fees; and that in other less important ways Mr. Fenning was able directly or indirectly to "cash in" on his guardianship practise. It was also brought out that he and Dr. White have for years been partners in the business of buying notes and in real estate deals and that they have a joint bank account. Except for receiving one-fourth of the bond premiums, the majority report held that Mr. Fenning had not acted illegally; as is pointed out above, however, it severely condemned a number of his practises from ethical and professional points of view.

The minority reports held that he was a federal officer and should be impeached because of alleged violations of law. In the opinion of some Washingtonians, the most damning thing in Mr. Fenning's activities was his practise of staying within the strict letter of the law while indulging in practises regarded by social-minded citizens as questionable.

PRIVATELY INTERESTED IN PURCHASES

In the course of the investigation it was brought out that Commissioner Rudolph and Mr. Edward C. Graham, president of the board of education, own stock in corporations that sell goods to the District or to the board of education. In the hearings Commissioner Rudolph first claimed that his firm secured only its proportion of the hardware business but later it was brought out and admitted by him that in recent months his firm had furnished approximately three-fourths of the hardware purchased by the District.

As a result of the investigations, a law was enacted providing that no per-

son could act as committee or guardian for more than five veterans and Mr. Fenning is no longer commissioner.

INEFFICIENCY AND CLIMBING TAXES

The District sub-committee concerned itself with various other matters of importance to residents of the District, including the system of assessments and tax collections, the administration of the police department, the making and enforcement of traffic regulations, street paving and repairs, and the fiscal relations between the District and the federal government. Its investigations disclosed that in these various fields all is far from well. The tax problems are most acute, due to the fact that an ambitious school building program has been undertaken and expenses are otherwise growing rapidly, while the contributions made by the federal government are decreasing both absolutely and relatively; consequently the tax rate is mounting by leaps and bounds. In preparing the District budget for the fiscal year 1927–28 it was brought out that some 3000 children living in suburbs outside of Washington are furnished school facilities free; in other words, at a time when many of the children of school age in Washington are without proper school facilities and are actually spending the school day in portable temporary buildings, the District is furnishing without charge to outsiders the equivalent of ten eight-room schools.

The assessment system was discovered by the sub-committee to be far from perfect, due both to the custom of making biennial assessments of real estate and to the common and unequal under-valuation of property; a provision of the appropriation bill, for example, forbids the purchase of school sites for more than twenty-five per cent above the assessed value, and in practise this has made it all but impossible to purchase sites. Court decisions had taken away from the director of traffic the right to deal with certain important problems, such as the establishment of speed limits and the regulation of pedestrians; for several months, in fact, there were no valid drivers' permits in force for those operating automobiles in the District because the old permits had expired and congress had made no provision for the issuance of new ones. Frequently it was charged that the police would not co-operate in enforcing traffic regulations or else showed an undue zeal in making arrests for minor infractions, such as parking overtime.

RESIDENTS ARE HELPLESS

Neighborhood civic organizations have concerned themselves with such additional matters as the elimination of railroad grade crossings, improving methods of inspection for assuring that pavements put in by contract will stand up under ordinary traffic for a reasonable time, the prompt and economical repairing of streets, the early completion of extensive improvements in the water system, the substitution of electric for gas lighting of streets, and securing water and sewerage systems and improved streets for extensive developments which have been recently built up and now have a large and growing population.

The helplessness of the residents of the District in the face of these disclosures of inefficiency and waste is, perhaps, most strikingly shown by Mr. Fenning's continuance in office and in the performance of his regular duties for months after those who had followed the case were informed of his practises. When the truth of at least some of Representative Blanton's charges began to be apparent, Mr. Fenning asserted that he had told President Coolidge at the time of his appointment that he had a private practice which he

was unwilling to give up and that President Coolidge acquiesced in his keeping up his law practise; a statement from the White House declared the President had no distinct memory of what was said in the conversation. Allegations were frequntly made and seldom denied that Mr. Fenning owed his appointment to the "Big Five," one of whom is Edward F. Colladay, the District of Columbia's member in the National Republican Committee. Throughout the months of investigation President Coolidge maintained a policy of silence and apparent indifference, though not long ago, when the senate requested him to remove Secretary of the Navy Denby, he stated that he accepted responsibility for the acts of his appointees. The newspapers did frequently report, however, that he was having the department of justice watch developments; they also reported about the middle of July that he had requested Mr. Fenning's resignation. Early in August he appointed as Mr. Fenning's successor Procter L. Dougherty, who has been active in the work of citizens' associations and who was a member of the Citizens' Advisory Council; it was reported in the newspapers that Mr. Dougherty was not the President's first choice. Mr. Dougherty, when sworn in, announced the severance of his business connection (he had been with the Otis Elevator Company) and his intention of giving all of his time to his duties as District commissioner.

CITY MANAGER GOVERNMENT?

Some of those active in civic organizations, and the Better Government League as an organization, have urged that the city manager form of Government for the District be adopted as the best—or, indeed, the only—means of preventing conditions like those described above and of securing a degree of competence in municipal affairs which will give the residents and tax payers of Washington the type of municipal government to which they are entitled. A voluntary organization has been formed to call the attention of the country to the plight of voteless Washington in taxation, public works, and other matters of municipal administration. Mr. Dougherty's appointment undoubtedly has given a great impetus to the work of civic organizations. The fact remains, however, that in Washington the residents are far, far removed from those who make legislative and administrative decisions and are, in fact, at the mercy of bodies and individuals with little understanding of their needs and problems and, as often as not, with a rural rather than a city turn of mind. This appears to be the time for a thorough investigation of District affairs, with a facing of the facts as they exist.

SHOULD GIANT POWER BE UNDER PRIVATE OR PUBLIC OWNERSHIP?

I. PRIVATE OWNERSHIP UNDER PUBLIC REGULATION[1]

BY PHILIP P. WELLS
Deputy Attorney General, Commonwealth of Pennsylvania

A plan for private ownership under reasonable and attainable regulation. :: :: :: :: :: :: :: :: ::

He who would understand the power problem in economics and politics should begin with the address of Steinmetz before the Franklin Institute a dozen years ago. With masterly clearness and brevity it showed that electricity, by giving mankind, for the first time in history, the means of transporting energy, would create a new economic order. It foretold not only the regional systems that we now see in the making, but also the future nation-wide electric network which will bring power, as the steamship and railroad bring goods, to every man's door, in any desired quantity, of standard form and quality, and at standard prices. It warned us against a repetition of the blunders and abuses of the era of railroad expansion. From the fact that electricity cannot be stored it deduced the unique necessity of complete monopoly in electric service, because when all power demands are supplied from a single pool of power we have the maximum diversity of use and thereby the nearest approximation to keeping the equipment busy all the time (in technical terms the highest "capacity factor").

We are dealing with the disposal and use of natural resources and the supply of their products in public service. The power resources are falling water and coal (for in a long view petroleum and natural gas may be neglected). Electric current generated by water power and that generated by steam are identical in physics and economics, but under our laws the rights of the public over the two power sources are very different. What is wanted is a sound economic plan of disposal, use and regulation, with adequate legal devices to make it effective both as to water power and as to coal.

Running water is not susceptible of private ownership, and although it may be the subject matter of limited private rights the sovereign states retain large powers over it. By reason of the federal authority over navigable rivers as highways of interstate commerce and of federal land ownership of the water power sites in the mountains of the West, federal license is necessary for the development of three-fourths of the undeveloped water power of the country. The Federal Water Power Act of 1920, by imposing conditions on the license, has set up a new economic policy.

State authorization for the use of the stream is the first requisite for a federal license. States and municipalities are preferred as licensees to all other applicants and exempted from rental charges. Licenses are limited to fifty years, after which the site and

[1] In this paper "cost" should be understood to include a fair return to the investor in the utility.

works may be "recaptured" by the government on payment of the net investment. Full and prompt development is required. Licensees must contribute equitably to up-stream storage reservoirs in proportion to the benefit of increased flow derived from them. Private licensees pay a nominal rent plus all profits in excess of a fair return on the net investment. They must submit to regulation of rates, service and security issues by the proper state agency; or by the Federal Power Commission where and to the extent that no state agency is empowered, or if and so far as the agencies of two or more states disagree as to the regulation of the output in interstate commerce. The net investment must be taken as the rate-base for purposes of state regulation of rates.

REGIONS WITH LITTLE WATER POWER

The greater part of the power demand of the northeastern states must be supplied by coal now in private ownership. Neither state nor nation has authority over its disposal like that over water power, but by offering liberal charters corporations may be induced to undertake large scale power development in the coal fields for state-wide supply, and to these charters may be attached conditions like those of the Federal Water Power Act. Proposed legislation of this kind in Pennsylvania would allow the incorporation of giant power companies with extraordinary powers: To build and operate generating stations of great size in the coal fields, also lines of very high voltage and very great capacity; to transmit the output for sale to major power utilities of the ordinary type; as an incident to these operations, to condemn lease-holds in coal deposits; to condemn other property; to recover by-products of coal before burning and sell the same; to sell coal as a means of disposing of the higher grades while reserving the lower for by-product recovery and power production; to purchase surplus power from all producers at fair prices not exceeding the cost of production in the giant power stations;—all these powers to be exercised under state permits like federal water power licenses (50 year term, recapture at the end of the term upon payment of the net investment, public control of service, security issues and rates, the par of all securities issued not to exceed the net investment, the fair return to be computed upon the net investment as the "rate-base," etc.).

Giant power plants (steam-electric) so operated should be able, in the course of time, to carry the base-load of a state having little water power, such as Pennsylvania; also to deliver energy to the major transmission systems of the ordinary type at a price lower than the present cost of generation in the relatively small units now in service.

HOW THE SYSTEMS SHOULD BE ORGANIZED

Since electric service is essentially a monopoly which should be regionally organized to obtain power at the lowest possible cost by constituting each region a single pool of power into which all output is poured and from which all power consumption is drawn, public policy should seek means to induce or compel pooling and to control the resulting monopoly. The first step to this end is to make each state a single pool of power, the second to unite the state pools in a regional pool. To obtain a state-wide power pool with a minimum of interference with the company systems that have been or may hereafter be built up, each state should be divided by adminis-

trative authority into districts, upon the basis of existing and future major transmission lines, so that every acre of the state is within some one district. Let us call them transmission districts. Upon the operator of each such line, whom we may call the transmitter, should be imposed the duty of supplying all power demands within his transmission district through local public service distribution systems, whether owned by the transmitter, by other private owners, or by the public. In other words the transmitter will be a public utility for the service at wholesale of current at cost to all distribution systems in the district, including his own, without discrimination among them. He may generate his own current but should of course purchase it to the extent that he can obtain it in that manner more cheaply. In states having large coal deposits or great water powers his base-load requirements can probably best be met by reliance upon the companies engaged in mass production at the source; in other states by the importation of the output of such mass-producing companies.

Upon the transmitter should be imposed the further duty of a common purchaser of surplus power from all producers in the transmission district to the amount of the demands by the local distribution systems upon the transmitter and at rates regulated by public authority, but in no case higher than the transmitter's own cost of generation or the cost to him of wholesale current from mass producers at the source.

Thus each transmission district will be a pool of power into which all power produced therein is poured and from which all demands are supplied, but the burden of supplying territory not now served will be generally left to local initiative in the construction and operation of local distribution systems. All these district pools will be united in a single state-wide pool by interconnection with each other and with the mass producers at the source.

The problem of unserved territory is, in the main, the problem of rural electric service. Most of this territory is within the monopolistic charter limits of companies which, as a matter of fact, are not serving it. Whether the charter holders cannot or will not serve it is immaterial. Charters should be annulled as to territory not served and not likely to be served in the near future, this by administrative procedure after due notice and hearing. This would put an end to speculation in paper charters by destroying their nuisance value. It would deprive the charter-holder of nothing substantial that he should rightfully have.

As to territory remaining within charter limits, the company should be required to serve it at cost. To this end the public service commission should standardize the duty of making extensions, including the contribution, if any, to construction cost, that should be made by the persons served; and should also standardize both the form and the amount of the rates to be paid for the service. Its authority should be enlarged by statute to the extent necessary for these purposes.

As to territory not chartered, or within limits where former charter rights are annulled, the burden of distribution should be thrown on local enterprise. The state should authorize the creation of rural electric districts for the service of their inhabitants under local public ownership, these to have taxing and borrowing power; also of mutual electric companies for the service of their members, and incidentally of others, upon the co-operative principle (one-man-one-vote; division of profits

among members in proportion to consumption of power). To each such locality should be left the choice between the district form and the co-operative form of local organization. The transmitter should be required to serve current at wholesale to both rural electric districts and mutual electric companies at the average cost to the transmitter of generation (or purchase) and transmission over his whole system, plus such additional payment as may be equitable in cases, if any there be, where service to the rural district or rural company lowers the capacity factor of the transmitter.

EFFECTIVE REGULATION

The beneficial working of a privately owned state-wide power pool so constituted depends on effective regulation. Under this head notable changes in existing practice are essential to success. As an initial step many matters not now generally within the scope of regulation should be brought under it. The restriction of commission jurisdiction to the regulation of operating companies only is a serious defect. Upon what principle is an owner of facilities which he has dedicated to the public service and leased to an operator, thus avoiding all risk and responsibility, exempted from the restriction of his profit to a fair return? How can there be effective regulation when the real corporate authority, the holding company, hides behind the operating company and so escapes all responsibility? Lessor companies and holding companies must be brought within the scope of regulation; also contracts of promotion, construction and brokerage. Continuing contracts of lease, management and the like must be brought under continuing supervision by empowering the public service commission to reform them as justice to the parties and the public may from time to time require.

Coming to the regulation of the operator as to service, security issues and rates: With respect to service the authority of the state commissions comes nearest to adequacy. Nevertheless the Pennsylvania Electric Association recently denied the authority of the commission to exercise its initiative by standardizing the duty of the companies to extend service to farms and the duty to pay the whole or a part of the construction cost of the extensions. Such authority and initiative should be put beyond the question by whatever statutory amendments may be necessary.

RATE BASE MUST BE CLARIFIED

A fundamental defect in the present method of rate regulation is the rule imposed by the supreme court of the United States whereby the base upon which the company's "fair return" is to be estimated by the state commissions in rate making is not the amount invested in the property but its value at the time of regulation. The "rate-base" is a variable, fluctuating with every increase in land and resource value, every hypothetical change in current construction costs for labor and for the material found in the structures and equipment at the time of regulation. In making this far-fetched deduction from the clause of the Fourteenth Amendment to the federal constitution which forbids the states to deprive any person of life, liberty or property without due process of law, the supreme court was conveniently vague as to the method of computing present value. It enumerated a list of elements of value which must be considered, even including among them—an economic absurdity — the par value of outstanding securities. But subsequent decisions and practice have emphasized

more and more reconstruction cost less depreciation, until rate-making by commissions has come to turn almost exclusively upon an estimate of the cost, as of the time of regulation, of initiating the enterprise, acquiring the property and reconstructing the works, together with an estimate, as of the said time, of the deduction to be made for depreciation. Upon the rate-base so estimated, the commission fixes a rate estimated to yield in the future a sum equivalent to estimated operation and maintenance charges plus proper fixed charges plus estimated depreciation allowances plus a fair return on the rate-base. This fair return tends to become a constant percentage of the variable rate-base, as for example in Pennsylvania seven per cent.

Of this valuation procedure I have elsewhere said: "Such a method of determining the rate-base is extremely difficult, slow, costly, uncertain, hypothetical, provocative of controversy in the making and unstable when made. It wastes in expenses and fees of attorneys and valuation engineers money which the consumers ultimately pay. It wastes something far more important still—the time, energy and attention of managers, public service commissioners and others which ought to be devoted to improving the service. It fosters misunderstanding and ill will. It should be replaced by a method easy, prompt, cheap, certain and factual."

For a convincing exposition of the fallacies, legal and economic, underlying the valuation method of estimating the rate-base, the reader is referred to the dissenting opinion of Mr. Justice Brandeis in Southwestern Bell Telephone Company vs. Public Service Commission, 262 U. S. 270, 290. I will not repeat his reasoning here except to point out that this method is pregnant with disaster to the companies and to their service in a period of falling prices.

But even if the valuation procedure were wholly sound in economic and legal theory it should nevertheless be discarded for the simple practical reason that it cannot be worked. Our need is for a procedure tending to exert constant pressure upon every company, taking the place of the pressure of competition in non-monopolistic business which may be likened to the constant and all pervasive pressure of the air in the physical world. Multiply the personnel and expenditure of the commissions by twenty, and by a much higher factor the controversial waste of ability, energy and the consumers' money (for in this kind of litigation he pays not only his own lawyers and engineers but the company's too) and yet the commissions could never get around to constant regulation of the rates of all utilities in the state. In other words the utilities on the average fix their own rates without any regulation, say nineteen-twentieths of the time.

NEW CHARTERS GIVE OPPORTUNITY TO GOVERNMENT

Notwithstanding the finality of federal supreme court decisions until the court achieves a better mind, there is a way of escape open to the states which they have successfully followed before in other matters. The corporate form of organization is essential to public utility business. The corporation is a creature of the state and the creator could destroy its creature by charter repeal, thus throwing the ownership of the utility property back into the copartnership form. All the states escaped the intolerable consequences of the Dartmouth College Case, which declared corporate charters to be contracts between the state and the corporation, inviolable under the clause

of the federal constitution forbidding the states to make any law impairing the obligation of contracts. They did so by embodying in all future charter contracts an express provision reserving to the state the right to repeal the charter.

But repeal of power company charters at this time is unnecessary and unwise. New charters of merger, consolidation, etc., are required by the process of regional organization now in full tide. Moreover, the companies have great need to exercise the right to condemn property (eminent domain) which right they must get from the state. Therefore, to impose a rule of rate-base determination sound in economics and practical in working, the state needs only to refuse new charters except upon a condition that the company accept the new rule as a condition of its charter contract or as a contract condition upon the future exercise of the right of eminent domain or upon the acceptance of other aid from the sovereignty of the state or its political subdivisions.

For this there is precedent in the Federal Water Power Act which requires the licensee to contract with the federal government that his rate-base for the purposes of state regulation shall be his actual net investment in the project as shown by his books under strictly supervised and revealing accounting. This is the "prudent investment" of Justice Brandeis' phrasing. As to existing investments a valuation would have to be made as of the date when the new system went into effect.

SECURITY ISSUES AND FAIR RETURN

Future security issues should be regulated by the states so that the par of outstanding securities should at all times equal the rate-base. This also is a rule set up by the Federal Water Power Act, and the settled rule in Massachusetts for a generation has been similar. It is demanded by the necessity for public knowledge of and good will toward this vital public business. No constitutional obstacles stand in the way of its adoption. It automatically bars "no-par" stock. Non-voting stock, carrying as it does the possibility of complete separation of risk from control and from the enterpriser's profit, should be strictly limited so that the total par of non-voting securities, whether stock or bonds, should not exceed a safe fraction—say two thirds—of the net investment. Under the procedure proposed the rate-base and the par value of outstanding securities, except as increased from time to time by new investment, would be a constant quantity instead of a variable as at present.

The fair return, on the other hand, should be a variable instead of being approximately, and illogically, constant as at present. For the fair return we can find a gauge or governor, almost automatic, responding almost constantly to the economic pressure of the moment. Reflection upon Steinmetz' address before the Franklin Institute, and upon general economic principles, will carry conviction that the test of rates as to fairness to the investor and the public is whether or not they yield enough, and no more than is necessary, to attract to a well managed enterprise the constant inflow of capital investment necessary for the healthy expansion of the business to meet public demands for service. That is not a question to be determined by elaborate inventory, hypothetical assumption, time-consuming estimate and expensive controversy. It is a question of economic fact to which the security market gives a daily answer. For here, at last, the public utility business

is not monopolistic but competitive. It must compete for capital in the security market.

Therefore, upon the rate-base shown by the company's books ("net investment") the commission should from time to time fix a rate estimated to yield in the immediate future a sum equivalent to fixed charges plus operation and maintenance charges and proper depreciation allowances (estimated in the same way as under the present procedure) plus such amount as would enable the company to pay dividends at a rate sufficient to keep its stock slightly above par in the market. For this standard of a fair return we have a precedent in the widely heralded action and argument of the American Telephone and Telegraph Company shortly after the Great War. An increase of the dividend rate from eight to nine per cent was proposed on the ground that at the old rate the stock was below par and new stock could not be sold at par to meet the needs of the company and the public for new facilities. The dividend was therefore advanced to nine per cent, the stock responded by rising slightly above par, and a large issue of new stock was offered by the company and taken by the investing public.

So much for rate regulation in general—the "fair return." The task of rate classification, equitable adjustment among different classes of users, remains. The classes should be few and simple so that the public may understand this public business. The rate for each class should, in general, be based on the comparative cost of generation, transmission and distribution, separately computed, and properly chargeable to each class. But nevertheless a discount should be allowed for off-peak loads in order to increase the capacity factor and so lower the cost to all users. All question of further adjustment to secure social ends, such as decentralization of population, may well be postponed until experience has shown the effects of such an application of the cost principle. The commissions should be given authority and initiative for the standardization of rate structure and of rates by classes.

Finally, court review of the commissions' action should be cut down to the lowest limits consistent with the protection of constitutional rights. Only when the company is deprived of a fair return on its business as a whole should the courts intervene.

INTERSTATE COMPACT

So much for regulation within each state-wide power pool. But the regional power organization must include a number of states, at least in the northeast. That is to say, regional organization involves interstate commerce not within the regulatory authority of any single state. Federal regulation of interstate commerce, by regions, differing as among the several regions, though perhaps not unconstitutional, is unattainable.

The states, however, may secure it by compacts among themselves made effective by the consent of congress as provided in the federal constitution. It would seem necessary to set up by compact regional regulatory commissions. They should apply the same principles of regulation as those above outlined for the states. They should have exclusive jurisdiction over all public utility power companies doing any interstate business, but the companies should have the option to segregate their interstate transmission business into separate corporate ownership, and the states should have authority to compel such segregation, thus limiting the jurisdiction of the regional commission to the lowest terms. The regional commission

should also have power to prevent discrimination in wholesale rates and service against the interstate power utilities in favor of those operating wholly within any one state.

To guard against the evils of irresponsible holding companies the commission of each compact-bound state should have power to compel the production, from any place within the region, of evidence, including accounts and other documents, as to holding companies incorporated in any other compact-bound state; and the voting of stock in an owning or operating company of any compact-bound state by a holding company not incorporated in one of the compact-bound states, or by any director, officer or agent of such a holding company, should be prohibited.

Given such a system of state and regional regulation, adequate universal electric service on terms fair to the investor and to the public could be expected under private ownership.

II. PUBLIC OWNERSHIP BETTER

BY C. A. DYKSTRA
Commissioner, Department of Water and Power, Los Angeles

Public ownership will more easily provide the huge capital necessary for regional power development and will assure successful private ownership in other lines of business dependent upon power. :: ::

CONSUMERS and producers alike have discovered that it is not economical to make and sell small blocks of power to small groups of consumers. The uses of electricity have become so varied, even in the individual household, that the old schedules of rates are thoroughly unsatisfactory. The consumer objects seriously to twenty cent current and he insists on having it at a better price.

This is the reason for the gradual but sure cutting down of the number of generating plants in all sections of the country. This is the reason why the business of producing and distributing electric current is inevitably being centralized in the hands of so-called power trusts. Herein lies the explanation of the latest figures given out by the National Electric Light Association, which show that since 1922 more than 1,100 municipal plants have been junked or sold to private interests. That there has been bad management and improper financing in a certain proportion of these plants, private and municipal, should of course be admitted. That these are the reasons for the tendency toward plant combination it can hardly be proved. The elimination of small expensive plants is inevitable and the substitution for them of generating equipment and distribution lines which can serve a whole region is bound to come. Whether by public or private agency the operation of large power producing units and their interconnection has come to stay. There is no room for the isolated plant serving a purely local purpose. Combination means increased economy of investment, increased economy of operation, increased reliability of service; and in case power plants may be located at

fuel centers, it means a further general economy in power supply, particularly to the smaller communities.

WHITE COAL

Water power is becoming the coal of the twentieth century. It is tireless, everlasting, easy of control and from the operating viewpoint inexpensive. While it is true that steam will continue to be necessary for a standby service, it is just as true that the region must develop its water power resources to their fullest extent if it is to make the most of its power possibilities. Such a program assumes flood control, the storage of water, the building of huge works, and the generation of power on a large scale—a program which costs plenty of money and one which cannot be carried through without some co-ordination of effort in a territory which has a certain geographic and economic unity. Examples of this tendency may be found everywhere on the continent—in the Pacific Northwest, in the far Southwest, in Canada and below the Mason and Dixon line.

Water power is declared to be our last great natural resource. The problem of who shall control it is bound to be one of real magnitude. The contest for this control will inevitably be sharp, perhaps brutal; and in the contest the cities and states will be brought face to face with the federal government and its jurisdiction over so-called navigable waters. Muscle Shoals and the Boulder Dam project are just two examples.

Distribution of electrical energy in rural regions as well on approximately the same terms as in congested areas is a third fact of the utmost importance. The same plant and the same lines can be made available for service throughout tremendous areas. Just what this means few of us have appreciated.

A fundamental cause of congestion in cities was the factory which was made possible by steam. It may well be that electricity will help to undo in this century what steam did to us in the last—electricity and the motor vehicle.

PUBLIC OR PRIVATE OWNERSHIP?

Clamoring for consideration is the question whether the vast power resources of the future shall fall under private or public development and operation. Public bodies are increasingly contesting the field with private power organizations. The success which has attended the Seattle and Los Angeles experiments, the phenomenal results attained in Ontario by public operation and certain power developments in connection with reclamation projects have inevitably drawn the attention of students to the possibilities of large power enterprises conducted by public bodies. The fact of the absorption of certain small municipal projects which have served their purpose does not argue against public ownership but in favor of the consolidation of generating plants and transmission lines. Public ownership on a large scale overshadows results under private ownership to an almost unbelievable extent.

We are being flooded at the present time, everywhere in the United States, by a nation-wide campaign to assure or perhaps reassure our people of the advantages to be gained by nipping public ownership of power in the bud and by leaving the field of power exploitation to private companies.

Does public ownership of power offer us something worthwhile? Is the easy generalization of the power trusts acceptable in theory or in practice? Shall we take for granted that private initiative will give the results which we want? Does the handling of the coal situation by private operators—and

coal is still our great source of power—promise that the public interests will be generously concerned at all times and in all weathers? Is the profit motive a reasonable one to tie to when a fundamental question of social good is involved? Can public regulation give us the results which we have a right to demand?

Already there are in existence tendencies which make for the creation of a "single monster corporation" to control all power in America. Governor Pinchot says that nothing like this giant monopoly has ever appeared in the history of the world. Nothing has ever been imagined before that even remotely approaches it in the thoroughgoing, intimate, unceasing control which it may exercise over the daily life of every human being within the web of its wires. If uncontrolled, it will be a plague without previous example—if under control, the greatest material blessing in human history.

Says Morris Cooke in the Pennsylvania giant power report:

> If the public is actually to enjoy the social gains included in our conception of Giant Power, regulation must be administered so that economy and efficiency in the conduct of these great electric utility properties may be both encouraged and required and a reasonable share of the reduction in costs resulting from large scale production passed on to the consumer in reduced rates. *It should be remembered* that *regulation at present* affords almost no incentive to efficiency. The influence toward better methods exerted by competition in private industry has been largely eliminated among utilities and nothing has been found to take its place. With rates based theoretically on what service costs and with almost no reference to what it *should* cost there is no very strong urge for a service company to pioneer in any large way.

Fred R. Low, editor of *Power*, retiring president of the American Society of Mechanical Engineers, said in his presidential address:

> Power is of such vital and increasing importance that its control would give its possessor a mastery over his fellows and opportunities for tyranny and extortion possessed by no autocrat of any previous empire, visible or invisible, feudal or industrial. The people may well be concerned by any gesture in that direction.

Shall it be regulation or public ownership? Out where I live we have been concerned with the problem. The so-called long-time theoretical advantages of public ownership have been submitted to rather exacting tests. We have heard much about public ownership and politics and we have discovered that private ownership has certain political inclinations and affiliation. With Worter Van Twiller it can honestly be said that there is much to be said on both sides. Our utility organizations even boast that because of widespread stock ownership they really furnish the advantages which evidently they admit public ownership possesses.

REASONS FAVORING PUBLIC OWNERSHIP

Some very practical considerations may be urged for the public ownership of great regional projects.

1. Great regions require long-time planning. In rapidly growing metropolitan areas, and particularly those supplied by water power or with water that must be carried long distances, there is the great advantage that public credit makes possible the establishment of projects looking far into the future which private capital cannot reasonably undertake. For instance, private capital cannot invest in great aqueducts long in advance of paying returns and risk the effect of business slumps which will threaten financial disaster through inability to carry fixed charges. Our federal history is full of examples which are in point here.

2. Public ownership means sim-

plicity of organization, elimination of stock-selling propaganda and minimizing of general propaganda. This in turn means greater effectiveness of organization with lower costs of construction and operation and, because of the public credit, less cost of money. In every instance, without exception, public ownership on a large scale, which allows of the employment of an executive engineer and manager of ability, has justified the above statement, as for example, Ontario, Canada, Seattle, Washington, and Los Angeles, California.

3. Public ownership of essential utilities, such as water and power, particularly in sections of the country where fuel is expensive and individual power plants for industrial purposes are out of the question, gives the greatest assurance of successful private ownership on all other lines of activity. In other words, the freedom of control of essential utilities from private selfish interests means absolute freedom of private initiative in all industrial and other activities other than the public utility business. Under private ownership the reverse is very largely true because the utilities and the financial interests are in a position to dictate, and do dictate, in shameful manner what private initiative shall do in the way of industry and commerce, greatly to the public detriment and greatly to the enhancement of the coffers of individual officials of such utility and financial enterprises, who also have their interests in, and are competitors of, those private individuals who are engaged in industrial and commercial activities and are dependent on the combined strength of utility and bank for power and for financial assistance. Public ownership of electric power, as well as water, in sections where they are a natural monopoly, are essential to the means, and in fact, the freedom of success of private initiative in all other activities of life. It means lower rates and greater stability rates, both of which are equally essential.

4. Public ownership means local control by those immediately interested in providing service and it means in the last analysis, local financing. Those who have followed our American experience with the regulation of privately owned utilities by public bodies know how disappointing such regulation has been.

5. Public ownership stimulates citizen interests in public affairs as does no other one thing. It brings into each household a realization of the intimacy of governmental problems in a way that abstract questions cannot. When the monthly bill has some relation to the character of governmental service, somehow or other the citizen becomes more watchful.

SUCCESS CAN BE PROVED

Is it possible to prove the success of public ownership in the field of power generation and distribution? Certain facts may be set down which have a bearing on this question. To the ordinary citizen these should be enlightening:

(1) The unwillingness of private companies to allow the test of public ownership. Millions of dollars are being spent each year in the United States to broadcast the asserted failures of the public ownership of power. It seems to me that the propaganda used so generously from certain utility headquarters tells its own story. The ordinary competing private industry insists that the first article in the creed of good business practice is to speak well of competitors and competing articles. Good service and good goods will carry their own message and bring success. Municipal plants everywhere are sawing wood and minding their own

business. They are furnishing the tests by which utility service must eventually be measured.

It goes without saying that if public ownership cannot succeed, it is bound to fail. The reason for its failure will be conclusive to the American people. Why, then, should private interests give so much attention to the problem, why fight a straw man and why attempt to kill the dying? Why not allow public ownership to fulfill the dire predictions made for it and let it fail ingloriously and ignominiously? Experience will teach Americans of the painful results of public ownership—if that is the story—and no one needs to spend any money to prove it. Public ownership will blacken its own eye and carry its own lesson.

It is a curious fact that those who condemn public ownership of power, almost universally agree that public ownership of water has been beneficial. As a matter of fact, water has been taken out of the debatable field. No one seriously considers the construction of municipal water plants by private initiative. Publicly owned water plants are with us to stay. And yet, exactly the same arguments now being used in the power field were current a generation or two ago in the water field.

(2) It would be quite possible, if there were space, to show that during this generation there has been a constant increase in the number of public power plants. The United States census reports give ample evidence on this point. If nothing succeeds like success, it must be admitted that public ownership has had its success in the power field. The larger the experiment, the more striking has been the success.

(3) It is also susceptible of proof that the public ownership has brought with it the lowering of rates by private plants quite generally. Rates have not voluntarily been decreased. Companies are not philanthropic. It must be admitted, of course, that when it seems good business to lower rates for the purpose of increasing consumption, rates will be lower. It cannot be gainsaid, however, that the reason for lower rates in Cleveland and Detroit, for instance, is the presence of a small, competing, municipal plant.

(4) The extraordinary success of the Ontario power enterprise carries with it its own lesson. Comparison of the rates charged for the American half of the International Bridge with those charged for the Canadian half at Niagara Falls is a sermon in a nutshell. The requests of American manufacturers for tariffs to protect themselves against Canadian manufacturers, because of the difference in power costs is eloquent. In both cases the power in question was developed at Niagara Falls, on the one side by private organization and on the other, by the public itself.

The story of Los Angeles and its power development is definite and conclusive. Since I am most familiar with the Los Angeles project let me set down a statement, based upon the report for 1924 from an internationally known firm of auditors—Price-Waterhouse and Company.

The surplus earnings of the Los Angeles bureau of power and light for the fiscal year ending June 30, 1924, were $3,051,000 after allowing for operation and maintenance, interest on power bonds, and full depreciation in accordance with accepted practice for utilities of this sort. It would have required approximately one-third of the surplus, a little less than one-third, to pay taxes corresponding to what a privately owned utility would pay with the same business. The surplus was actually used in part for the

amortization of bonds, and the remainder for extension and betterment of the system.

The rates of the municipal system are considerably less than the rates charged by private companies elsewhere in California as measured by the gross revenue collected in return for service rendered. Were the bureau of power and light to collect for service at the rate schedules of the private companies of the San Francisco metropolitan area, the surplus of the bureau in excess of operation and maintenance, depreciation, interest on bonds, and a deduction for the amount of taxes which a private corporation would pay, would equal $3,200,000. In other words, if the power bureau operated under the conditions of a private corporation in the sense of paying taxes, and charged rates equal to costs including depreciation, interest and taxes, as well as operating expenses, consumers would save $3,200,000.00. This refers to the consumers of the power bureau alone. The consumers of the Los Angeles Gas and Electric Corporation are saving in a corresponding amount because of the necessity of meeting the municipal rates.

As compared with the average rate of large Eastern cities, consumers of the power bureau alone would save between five and six million dollars per annum on the assumption of the power bureau's paying taxes along with the other charges.

THE FATE OF THE FIVE-CENT FARE

III. CHECK UP ON CHICAGO

BY CHARLES K. MOHLER
Chicago

The story of events in Chicago since Mr. Mohler wrote on The Fate of the Five Cent Fare in 1919. :: :: :: :: :: :: ::

On May 19, 1926, the federal court fixed the fare on the Chicago surface lines at seven cents. This decision carried back to November 23, 1921, nullifying an order for a five-cent fare; and also to April 8, 1922, setting aside an order for a six-cent fare. Both orders were issued by the Illinois commerce commission. The court decision last May rendered void transfer slips issued as receipts for rebates in case the court should later find for less than a seven-cent fare.

The elevated lines are charging 10 cents cash fare, three tickets for 25 cents, and are selling a so-called weekly pass for $1.25 good for unlimited use by bearer.

Due to the fact that the surface lines carry over three-fourths of the entire city traffic and that there is less justification for an increase in their fares than there may be for the elevated lines, the discussion will be confined to the surface lines.

FARES AND FLOODED FINANCES

What answer can be given to the question: Was an increase in fares on the Chicago surface lines necessary? The published records seem to indicate that under the present régime of dis-

honest financing and management, higher fares became necessary in the summer of 1919 after a very material increase in wages were given to the employees.

The same records also indicate that if the undertaking had been honestly and efficiently financed and managed, an increase in fares up to the present time would not have been necessary. Honest financing would at least call for the dehydrating of the capital account by: First, the elimination of franchise value; second, the charging off or elimination from the capital account of all property worn out or obsolescent and discarded; third, the elimination of contractors' profits, etc., which were charged against all construction and purchases for capital account.

Briefly some of the dishonest items in the capital account are:

First. Over $10,000,000 of franchise value. No franchises were given up or lost. In fact, many franchises had expired or were about to expire and none would have run beyond 1921. On the other hand, the twenty-year franchises given the companies have been so valuable that they could very well have surrendered the old fragmentary franchises for nothing and *paid* $10,000,000 for the new franchises. The claim for franchise value was based on the fact that under their old franchises the companies did not have to divide net profits with the city. The $10,000,000 or more allowance was based on an average for 18 months' life for the old franchises. Here again the city was "gypped," as the net receipts paid to the city for the first 18 months under the new franchises amounted to only a little more than $3,000,000. Seven million dollars' worth of bad mathematics. In this connection, it should be remembered that the companies were claiming rights in the streets under a so-called 99-year grant and at the same time were not maintaining any depreciation and renewal reserve funds for reconstructing the property or maintaining the integrity of the investment.

Second. Property discarded and destroyed through rehabilitation amounting to from $30,000,000 to $35,000,000. This estimate is believed conservative inasmuch as an allowance of $80,000 per mile for about 395 miles of track rehabilitation amounts to $31,400,000. The average price at which the old properties went into the capital account was in excess of $87,000 per mile of single track. Over 80 miles of the rehabilitated track were cable lines running much higher in cost than the electric. The average may very well have been placed at $90,000 a mile, in which case the destroyed value would amount to $35,550,000.

Third. Over $13,000,000 for contractors' profits and brokerage now in the capital account should never have been allowed. This has been allowed, not only on all new construction and reconstruction and purchases going to capital account, but in the purchase of old lines that had to be torn up and scrapped almost immediately. Ten per cent contractors' profits and 5 per cent brokerage were added to the purchase price of everything, old or new, for capital account and included in the capital account. Contractors' profits as loaded into the financial structure of the undertaking are nothing short of an unmitigated fraud. Allowance of 5 per cent for brokerage is not quite as bad but even this is so inexcusable that courts and commissions rarely allow it to go into capital charges.

FAT YEARS SHOULD HELP TAKE CARE OF LEAN

If the capital account had been reduced and kept down to an honest

economic basis and the fat years had been made to take care of the lean years, there is little doubt but that up to this time the service could have been carried on under a five-cent fare.

Under the benevolent care of the state "regulatory" commissions and federal courts, the utilities companies now see to it that there are no lean years. We may be told that all that has gone and is now ancient history, to be forgotten. However, as we are none too wise and have to learn by experience, we may be excused for indulging in the recounting of what might have been had we been a little wiser or a little better informed.

Several years ago the writer was told by a man of affairs who had been interested in street railways during the horse car days, that the companies were making so much money at that time that they had to devise means for hiding it. In a previous article reference was made to the report of the Civic Federation where it was shown that one of the companies had for 16 years made average yearly dividends of nearly 45 per cent and about 31 per cent for a four-year period ending with 1901. As previously stated, the companies were claiming rights under a so-called 99-year grant that would not have expired until 1964. But in the face of this they did not establish and maintain any depreciation reserves to maintain the integrity of their investment or to reconstruct the property as it became worn out and obsolete.

HOW TO EAT YOUR CAKE AND STILL HAVE IT

When the city insisted that the property and service be improved if the companies were given new franchises (the 99-year grant claims having been knocked out by the courts on March 26, 1906), the companies made the plea that they did not have the necessary funds for rehabilitation and that if the services were to be improved they would have to be allowed to charge up to capital account all of the money spent in the three years deemed necessary for reconstruction; that they should be allowed to pay themselves contractors' profits on all the money spent; should be allowed brokerage for finding it to spend; and that none of the property destroyed through rehabilitation should be taken out of the capital account. Hence the capital account of $163,508,224 for a street railway property now worth much less than half that amount. Recall the testimony of one of the companies' attorneys about nine years ago: "So there is at least $85,000,000 or $90,000,000 that is not represented by any property at all, and it is in this capital account. . . . It can never be contended for a moment that the capital account represents the value of anything." Oh, yes — old stuff but nevertheless true.

We are told that we cannot eat our cake and have it too. The Chicago traction management and their banker friends can and do.

DEHYDRATING—EFFECT ON FARES AND FINANCES (FAT AND LEAN YEARS)

In examining the public records of Chicago traction since 1907, there appears to be little doubt that the fat years could have taken care of the lean ones and on a five-cent fare. Had we been a little wiser or not so soft-headed, we would not have allowed any franchise value or contractors' profits and brokerage and would have required that all discarded property be taken out of the capital account.

By taking out some of these "financial frills" the capital account would have been reduced by at least $54,500,000 with a net saving in interest charges of over $46,500,000 up to

February 1, 1926. Note that the tentative reduction is only $54,500,000 and not the "$85,000,000 or $90,000,000 that is not represented by any property at all." Had the "$85,000,000 or $90,000,000" been the base of deduction, the saving in interest charges would have been between $70,000,000 and $85,000,000.

The total operating expense up to February 1, 1926, was $534,204,380. For the 12,338,732,742 revenue passengers carried this amounts to 4.3295 cents per passenger.

The gross receipts up to February 1, 1919, amounted to $347,081,357 or 5.0924 cents per passenger for the 6,818,616,907 revenue passengers carried up to that time.

The operating expense up to February 1, 1919, was $228,674,828. From January 1, 1919, to February 1, 1926, the operating expense was $305,529,552.

It is reasonable to presume that if the five-cent fare had remained in effect, the gross earnings would have still remained at 5.0924 cents per revenue passenger. Then for the 5,523,115,833 revenue passengers carried between January 31, 1919, and February 1, 1926, the gross revenue would have amounted to $281,259,151. This is $24,270,401 less than the gross operating expense. In addition, we have an interest charge on the revised capital account of $37,170,988 for the same interval. This makes a total of $61,441,389 not covered from the gross revenue on a five-cent fare. Then the question is how to get out of the red balance.

If we had had the requisite amount of wisdom or foresight we would not have been in the hole yet. We talk about a barometer or stabilizing fund in a service-at-cost scheme for regulating fares; also we talk about rewards for efficient management. Under service-at-cost, commission regulation, and court protection there is practically no hazard to the business of transportation in a large city. The returns on the investment are secure and should be limited to very little, if anything, above the actual interest charge on bond loans. If any profits are to be allowed above actual cost of borrowed money, they should be impounded when earned, for a long period of years and only drawn upon after they had reached a large amount. In the case of Chicago all of the net profits should have been impounded until the end of the franchise period in 1927. Such an arrangement would put the management on its mettle, if it had any, with the possibility that there might be shown some justification for the excessive salaries paid to the executives. Had such an arrangement been put into effect there would have been on February 1, 1919, impounded all of the companies' net profits of $18,672,403 from the fat years.

Then had we been wise, how could we have kept in the clear? First. Had the capital account been pared down to only the moderate extent of $54,576,000, the interest would have been only $82,580,000 up to February 1, 1926, instead of $129,327,636. The difference represents a saving in interest charges of about $46,750,000 which could have gone to surplus to take care of the lean years. Second. The companies' share of the net profits or receipts of $18,672,403 up to February 1, 1919, should have been available. Third. According to the settlement ordinance, the city's share of net receipts were to be made available for reducing fares as one of its contingent uses. This, up to February 1, 1919, one-half year before increased fares were put into effect, amounted to $22,727,706. Fourth. Under a five-cent fare for the period 1919–1926, more passengers would have been

carried than were carried under the higher fares. (Gross earnings under a five-cent fare were computed on the number of passengers carried under the higher fares.) Fifth. The depreciation reserve of $9,258,931 which had accrued up to February 1, 1919, should have been used for construction and the purchase of equipment as it accrued and was needed. That should have still further reduced the interest charges as reserves so used are not thrown into the capital account. Reserves so employed, however, maintain the integrity of the investment at the same time interest charges are kept down. Sixth. If still more of the surplus water had been drained out of the capital account than the amount estimated, the additional legitimate saving in the interest would have been a considerable amount.

Taking only the first three items listed: savings in interest charges, $46,750,000; companies' share of net receipts, $18,672,403, and city's share of net receipts or profits, $22,727,706, we get the total of about $88,150,000 to cover the $61,441,389 deficit of the lean years. There would still be left over $26,500,000 to take care of the year 1927.

HOW CAPITAL ACCOUNT MIGHT HAVE BEEN WIPED OUT

Suppose that the capital account had been reduced on the same basis as assumed in the case just considered. This reduction covering certain specific items amounts to $54,576,222. Suppose in addition that up to August 1, 1920 (about the time increased fares were put into effect by state commission order) the capital account had been amortized as rapidly as possible out of savings in interest charges from reduced and amortized capital account, about $51,738,000 and all of the net receipts that went to the city and the companies, totaling about $41,698,487.

The three items listed above for reducing and amortizing the capital account amount to about $148,000,000. This would have left an unliquidated capital account of about $10,000,000. At this time the accumulated depreciation reserve amounted to nearly $9,500,000. Had this been employed in making extensions and purchasing equipment, the capital account would have been reduced practically to zero and interest charges would have practically disappeared. The interest charges actually paid on the old inflated capital account from August 1, 1919, to February 1, 1926, six and one-half years, were about $52,357,210. This interest charge amounted to 1.0164 cents for each of the 5,151,244,588 revenue passengers carried during this interval. As before stated, the capital account as it stands today is at least half water. Then each and every revenue passenger pays at least a cent a day, 25 cents a month, $3.00 a year, $60.00 in 20 years on the water injected into the undertaking of this necessary service.

With the capital account wiped out in the way indicated, there could be little objection to paying such increase in fares as might be necessary to take care of higher costs of labor and material employed in operation and maintenance.

A trial computation shows that if reduction and amortization of capital account had been estimated on the basis of higher fares actually collected rather than based on a five-cent fare up to February 1, 1926, the entire capital account would not only have been wiped out but there would have been a net surplus of about $60,000,000.

THE NET RESULT FROM INCREASED FARES

Aside from taking care of these increased costs of operation, what have been some of the net results of in-

creased fares on the Chicago surface lines?

The companies, in addition to violating their contract with the city on the five-cent fare, have refused to make the necessary extensions called for in their ordinance contract. They give as an excuse that the franchises are about to expire and that therefore they cannot borrow any money. Their contract, however, does not stipulate that extensions were required only during the early years of the grant. Cannot get the money? They have collected altogether over $30,000,000 in net profits; $11,626,000 since January 31, 1919, shortly before increased fares were charged. Why should not this money have been used? The depreciation reserve should also have been employed in extensions. The state commission did require them to use some of it to buy new equipment.

The net profits for the year ending January 31, 1919, the last year under the five-cent fare, were $696,755. The first full year under increased fares ending January 31, 1921, showed a net profit of $3,887,969. This is an increase of $3,191,214, or 458 per cent over those for the year ending January 31, 1919. For the year 1926, the increase over 1919 was $3,291,820 or 472.45 per cent. For 1925 the increase over 1919 was $2,232,794, or 320.45 per cent.

With all of the violations of contract with the city plus poor service, the exploitation and piling up of capital account have gone on without giving the slightest attention to those who have put real money into the enterprise and above whose claims there is no real equity represented by property value, namely, the first lien bondholders. These bonds all run to the end of the franchise period, 1927, without any sinking funds to pay them off and without an adequate depreciation reserve to maintain the integrity of the investment. Their only claim is against the physical property in the streets, and the equipment. Without a franchise, this is worth little more than its value as junk.

THE PRESENT STATUS

After the well-deserved defeat of the Schwartz-Dever ordinance, the companies went to the state legislature with the infamous Barr Bill for a so-called terminable permit law. This bill provided that any company, by surrendering its franchise, could receive from the state commerce commission in lieu thereof, a terminable permit. Under that program, the city would have had absolutely no voice in the location and construction of the facilities, service, fares, finances, or anything else relating to the utility. The utility so surrendering its old franchise would have to be given a terminable permit by the commission, good for all time or until purchased "by such municipality, for just compensation and damages of the property operated therein under such permit." The proposed law did not specify any of the items for which "*damage*" might be claimed in case a municipality purchased for "just compensation." The proposition was so raw and aroused so much opposition throughout the state, as well as in Chicago, that the measure was withdrawn. The legislature, thereupon appointed a commission to study the question of "terminable permits" in other states where they have been in operation.

Since the defeat of the impossible ordinance of last year, the mayor seems to have forgotten his campaign pledges to secure municipal ownership and operation of the transportation lines and apparently is doing nothing now to fulfill his promises and justify the faith of his supporters in his ability and purpose to get desired results.

The council committee on local transportation appears to have been maneuvered into committing itself to the approval of the terminable permit in case the city is given full control in the granting, and home rule is re-established for Chicago over rates and service. Service-at-cost is the general base or groundwork on which the grants are to be worked out. The proposed program on which the council committee is working can not be carried out without legislative sanction and is in a sense a pig in a poke. We will probably not like the pig after the legislature takes it out of the poke for us.

THE PROBLEM OF AN EXECUTIVE HEAD FOR ENGLISH MUNICIPALITIES

BY JOSEPH A. COHEN
Bureau of Municipal Research, Harvard University

The intensely democratic system of English municipal administration lodges great power in council committees, but neither the committees nor their administrative agents are subject to centralized control such as is found in private business and the city manager plan. :: ::

FINGERS are being pointed at the organization of local government in England. The following pronouncement in the Fifth Annual Report of the Ministry of Health, relative to the state of local government in England and Wales 1923–1924, is very significantly interesting:

Some difficulties have been caused during the year by proposals to give the town clerk more extensive powers of control over other officers than are usually provided for expressly by the terms of the appointment.

It is manifest that a town clerk or any other officer could not properly dictate to other persons in the employment of the local authority, the medical officer of health or the engineer, for instance, what they should do in the details of technical matters within their particular purview. Nor could any local authority impose on any one of their officers duties in conflict with those conferred on any other officers by statute or by central regulations.

The proposal to make some one officer definitely responsible for the general supervision of the whole of the business of the local authority, and their chief adviser on all matters of policy, is, however, a different question.

The work of the local authorities has changed very considerably in recent years. The large authorities, in particular, in addition to being the bodies regulating matters of local government in their area, are in fact important business corporations, carrying out costly services, trading and others.

There appears to be room for consideration whether, while maintaining to the full the traditions of local government service and, especially, of democratic control, the time has not come for some further development of the administrative arrangements of the local authorities, and for their having one chief official who, whatever his title, shall be in a position of definite responsibility for the general official organisation.

It may be premature to express any decided opinion on this possible development, but the question clearly merits attention. Two conditions would always have to be fulfilled—(1) the unquestioned control of the elected body; (2) no derogation from the responsibility of the present principal officers. The value of any such chief official as has been suggested would depend very largely on his exercising general control, on his not attempting to do the detailed work of officers expressly appointed because of their specialised qualifications, and on his working in full harmony with them.

In other words, the degree to which the operations of municipal departments are co-ordinated and the responsibility for their work unified is not contemplated as clearly meeting present demands. Were such a notice as this to appear even in isolation, it would deserve the closest attention because of the quarter from which it emanates. There have appeared, however, both before and after this one, other signs that there is a critical spirit in the atmosphere.

There follows a second excerpt, as official as the first, but fuller in that it describes the existing situation in greater detail. It may be found imbedded in the evidence which Mr. I. G. Gibbon, assistant-secretary in the ministry of health, as the representative of that department laid before the Royal Commission on Local Government now conducting an inquiry. The evidence is dated May 4, 1923.

> There is no official in local government corresponding with the managing director or general manager of a large company or burgomaster or maire of continental towns or the city manager of some American cities, although the big local authorities have by now become in fact large business concerns.
>
> The principal official is the town clerk, or clerk of the county council or district council. Generally, though not always, he is a solicitor or barrister and the legal adviser of the council. He is not definitely recognized in any statutes or regulations as the head of the official administration, and his position depends very largely upon personal factors. In some cases, the principal departments are largely independent, the clerk exercising little authority; in other instances, the clerk, without interfering in details, maintains a firm general supervision, subject to the council, over all the departments.
>
> The system as a whole, as it now prevails, is to a large extent the result of somewhat haphazard growth, and there appears to be room for further consideration of the general official organisation, not in order to set down any general rules of uniformity, much less for any dictatorial determination by the central department, but for the examination of the results of different systems among those concerned in local government in order that the best may be adopted according to the needs and special conditions of each locality.

In the course of his evidence Mr. Gibbon also said:

> One factor in the committee system largely determines the position of the clerk. The office of the committee clerk may be one of importance and, if the committee clerk is a member of the clerk's staff (which is not always the case), this enables the clerk to keep in close touch with the whole of the work of the council.

It might also be advisable to observe that "there are certain committees (called statutory committees) which councils are required by law to appoint; and some of these committees have the full powers of the council, so far as their particular sphere is concerned, except the raising of rates or loans and generally such acts as must be done under the council's seal"; and that the effect of this system is to make it slightly more difficult to place one supreme official completely in charge of the administration.

ATTENTION TO AMERICAN EXPERIENCE

The extent to which American experimentation with the city manager is drawing attention as bearing possibly fruitful suggestions is indicated not only by the interest therein one finds exhibited by English local government members and officials but also by certain public notices in journals and newspapers that have appeared other than those already mentioned.

Nor is this all. Appended to the *Report* of the Royal Commission on London Government, issued in 1923, is a memorandum by Sir Albert Gray, one of the members of the commission, which contains certain observations on the practical workings of the London County Council as at present organ-

ized. Sir Albert makes these among other statements:

> The London County Council might well give some attention to the municipal reforms in progress in America during the last 20 years, different as the conditions may be. . . . The new development is the "City Manager System." . . . The American experiments thus on trial should, I think, be carefully observed by municipal authorities and ratepayers in this country.
>
> The prospect of the employment of a personal executive by the county council may not be so distant as is regarded by some. A large amount of the work of some of the departments under the council is of such a character as to be more efficiently, expeditiously, and economically performed by personal than by committee management.

And, referring to the representative who presented testimony on behalf of the London County Council, Sir Albert says:

> He is also of the opinion that if there were a single individual controlling all the specialised heads of departments, "that would probably work for efficiency and might be an economical arrangement, but that is a very long way removed from our present ideas, and I think myself it would be unacceptable to the general body of the governed." I venture to disagree with the last observation. In a large majority of routine cases, ratepayers would, I believe, much prefer to deal with responsible executive officers rather than with councils whose collective decisions, often unduly delayed, are shrouded in impersonal responsibility.

ATTITUDE OF OFFICE HOLDERS

Yet the writer cannot refrain from thinking that it might be a more difficult task to persuade the ratepayers to accede to the establishment of a single responsible executive official than to persuade them of the advantages that accrue once the official has been set up. Further, whatever the opinion of the ratepayers, it is not likely that town councils will be very eager to shed the proprietary interests in their status they peculiarly tend to acquire in England. They are apt to guard themselves very jealously against any such diminution in their general powers of oversight as the institution of a personal executive would be bound to effect. To cite one example of the spirit in which local councils in England look upon proposals having the effect even without the intention of depriving them of a fraction of the powers at present falling to them and the degree to which they make the maintenance of their position of importance a matter of principle, it is merely necessary to recall that the Royal Commission on London Government was easily induced to include among the objections it declared were raised by the localities concerned against the creation of a larger metropolitan administrative area one to the effect that "the proposed local authorities would have so large an area and population that an undue proportion of power would fall into the hands of the officers, as opposed to the members, of the authority."

Declarations of that nature were made particularly by the county councils of Hertfordshire, Surrey, and Essex, and the Croydon County Borough Council. Croyden's claim was that

> . . . if the present areas are to be extended as proposed, the central authority would cease to be the real local administrative authority and become in effect a parliament for the area, working through a bureaucracy that would so control the work and the initiative of the subordinate local authorities that local interest and patriotism would be greatly weakened, if not entirely dissipated.

What the attitude of these councils and others similarly tempered towards measures having the intention as well as the effect of reducing their powers of control can therefore easily be imagined.

It is certain that any attempt at a serious reconstruction of the principles

upon which the official organization of the English town is based in such a direction as has been indicated will meet with sufficient opposition. English institutions are not the easiest things in the world to change. The degree of caution displayed in the words of the ministry of health reproduced above and the reservations expressed cannot escape notice.

In an article in The London *Municipal Journal* the author makes the comment that, preparatory to receiving the city manager, "The council must be willing to be relieved of the duties which in Britain, our elected representatives perform, with an almost religious zeal." A later issue contains this:

> Efficiency and co-ordination are, it is admitted, imperatively required in every branch of the public service, but it is more than doubtful whether the Ministry has found the remedy. It suggests that the time may have come for one official to be appointed who shall be responsible for the general official organisation. So far the proposal is highly ambiguous, and may be advanced solely for the purpose of discussion. It could, however, be made a plea for the appointment of the city manager, after the American model. It is doubtful whether British institutions and practice would tolerate so startling an innovation.

And the opinion of Mr. Gibbon is:

> The city manager form of administration in the full exuberance of the American spirit, with, for instance, the wide powers of appointment, has practically no chance in this country, and would, indeed, be alien to our general constitutional habits, but at the same time it is not without its suggestions for our requirements.

THE MANAGER PLAN AND ENGLISH PRACTICE

Viewed from one angle, a move along the lines of centralizing formally the oversight of the administration in the hands of a town manager or glorified town clerk would be more of an innovation than it was in the United States; whereas it would be less so when viewed from another.

Its great deviation from existing English practice would be in its effect on the allocation of functions between the official and the representative elements in local governments. The object of developing the town clerk into a powerful supervisor would be primarily to concentrate executive control and the responsibility for executive control over the administration in the hands of one expert official as a means of promoting efficiency, especially by way of co-ordinated operations, in the conduct of municipal business. Such co-operation as is to-day effected comes through the medium either of the town clerk, below the surface and in varying degrees, or of the common council,[1] which is the single authoritative body and must ratify to make them valid the judgements of the subordinate committees working the various departments. But there is not in England a *strong, personal* executive openly exercising wide powers to act as a precursor before any contemplated transition to the manager system, such as there was in the United States in the person of the mayor, who possessed in many cities very extensive administrative authority. And it is for that reason that the accomplishment of such a transition will entail greater difficulty in England than it did in America.

In the matter of organization, however, the manager plan is in greater consonance with traditional English rather than American habits. An expert official with considerable actual powers working in a close but not clearly defined relationship with a committee of amateur representatives potentially possessing large powers (a hard lump for American cities con-

[1] Of help to the council in this respect is, of course, its own finance committee.

templating the manager plan to swallow) conforms strictly in features with the English committee system.

In other words, America introduced the city manager to professionalize an already existing single executive; England, contemplating a single executive, turns to the professional element as a matter of course. And thus explains her lack of interest in the American mayoral system.

WANING CONFIDENCE IN PRESENT SYSTEM

At all events, from whatever angle viewed, the suggestions of change, as they become more pronounced, indicate what is at bottom a waning confidence in the time-honored system of English local government so long admired for its results,—a system in which the council and its committees constitute the sole depository of all local powers, administrative as well as political. And these signs assume proportionally greater importance as it is observed that not only is the management of local affairs as a whole by a more or less numerous body of laymen meeting with open criticism but that dissatisfaction is being expressed also with the superintendence internally of the individual departments of administration by committees of the council.

In the course of the inquiry of the Royal Commission on Local Government, Mr. Gibbon said for the ministry of health in reference to existing practice with regard to the committee system:

> It is open to question, however, whether detailed administration by representatives tends either to efficiency or to effective democratic control; and whether these would not be much more soundly secured by leaving to the expert officials those matters which require a wide range of specialist qualifications, laying down for him the broad principles which he must follow and judging him strictly by results—the system, that is, broadly adopted in commercial concerns.

The implication contained in this passage is confirmed as regards the London area by the following significant remarks, which may be found in the *Minutes of Evidence* of the earlier Royal Commission on London Government:

> Does not your experience with regard to administration come to this, that even in the case of a very capable autocratic civil servant, in order to administer a department he has a struggle with the less knowledgeable, but very industrious and anxious, elected representatives and that sometimes one gets the better and sometimes the other?—Well, I have frequently witnessed such contests.
>
> And however able to administer and however clever a man may be to perform a difficult work, there is always a certain feeling, which you suggest yourself, that under our democratic system we would rather govern ourselves badly than be admirably governed by somebody else?—Personally, I think that feeling exists quite strongly.
>
> In fact not to put too fine a point upon it, economy and efficiency are not wholly compatible with democratic government?—I think that is true, certainly, of the full sense of those words.

And later we also find this:

> I suppose you would say, would you not, that though it is true that the committee usually adopts what an expert officer tells them, it is a considerable check on him that he has to submit it to the committee and explain it to them?—I think so.

That the local representative in England holds membership in an administrating as well as policy-forming body and that the authority he insists upon retaining for himself is great must be fully appreciated. For example, the important function of supplying water to the London metropolitan water area is in the hands of the indirectly elected and unpaid Metropolitan Water Board, which has no

other general directing or managing executive officer than its own chairman but administers the affairs of the eight departments (clerk's, water examination, law and parliamentary, finance, works and stores, water rates, surveyor's, and claims) through seven committees. (Finance, appeal and assessment, general purposes, law and parliamentary, works and stores, water examination, and claims.) The chief officials employed by the board are the clerk, director of water examination, accountant and registrar of stock, chief engineer, solicitor, supervisor (entrusted with the department that assesses the water rates and charges), and surveyor.[1] The powers of direction and correlation that therefore rest with and must be exercised by the board and its chairman are obviously very considerable. Following are extracts from an official document concerning the board.[2]

A question that has more than once been debated by the water board, for the first time soon after its establishment, and on more than one occasion since, is whether it should or should not adopt the course, which would almost of necessity be taken if the undertaking were in private hands, of appointing a general manager. The views of the majority of the board have always been adverse to the proposal. It is claimed that the present chairman, who, with the vice-chairman, gives up much of his time to the work of the board, has thus to a large extent been able to fulfil the general directing and co-ordinating functions which a general manager would perform. In a memorandum he laid before us on behalf of the board he stated that the conclusion at which the board had arrived was, that the appointment of a general manager was unnecessary and inconsistent with the administration of a municipally controlled undertaking. It was felt that the duties of a general manager, and his responsibility for management, would unavoidably clash with the committees of the board and their chairmen, and would, in addition, minimise the responsibility for administration and management which it is the present duty of those committees to perform. It was also urged that the appointment of a general manager to whom all the heads of the technical departments would have to report would inevitably cause strong personal friction and difference of opinion between the general manager and the heads of departments; that it would be a mistake to appoint a member of any of the technical professions as general manager as his views would necessarily clash with those of the head of the department dealing with his own special subject and in respect of the other departments he would have no technical knowledge or experience; so that it would reduce the selection to the appointment of a general manager with very large commercial experience; and that the board felt strongly that inasmuch as members of the board who form the standing committees are generally men of large commercial experience, the appointment of a commercial manager of this character would be not only a costly experiment but quite unnecessary.

There may be some force in this contention, though we confess to being more impressed with the earlier than with the latter part of it. It is certainly true that a representative body like the water board established for the purpose of controlling and managing the supply of water in the metropolitan area must retain general responsibility for the working of the undertaking. But it seems to us that such a body requires, just as much as a board of directors, that there shall be some individual charged with the duty of looking at the undertaking from a wider standpoint than that of any one committee or any one department, of co-ordinating its lines of policy, of securing that no matter of importance is omitted from consideration, and of scanning the future and anticipating its difficulties and its problems, and we cannot help thinking the administration of the board would be helped if there were some individual paid and devoting his whole time to these duties. We accordingly recommend that this course should be taken.

How serious this feeling is in other quarters as well may be judged from the fact that the Port of London Authority appointed, for the first time, in Decem-

[1] *Parliamentary Papers*, Vol. XXI of 1920, Cmd. 845, p. 781.

[2] *Ibid.*, p. 781, "Report of the Departmental Committee appointed to inquire into the provisions and effect of the Metropolis Water Act, 1902." (Issued in 1920.)

ber, 1922, a general manager at a salary of five thousand pounds per year.

IS COMMITTEE CONTROL WHOLESOME?

But even in those cases in which committees employ permanent officials who act as general executives as much as technical advisers, the writer has discovered the feeling to be strong among the officials that the degree of control retained by committee members is not entirely wholesome for efficient administration. The transcripts supplied above support that opinion.

This advocacy of the increased use of the professional element at the expense of the amateur seems to have its roots in two conditions of fact: (1) the elected representative is not sufficiently acquainted, especially at his primary election to office, with the field allotted to him to exercise with the maximum of intelligence the highly important administrative duties entrusted to him; (2) the time he must devote to the performance of the duties of his office, particularly if he is the chairman of a committee, has undesirable consequences either in imposing upon him an unfairly onerous burden in view of the fact that his position is unpaid or in discouraging from serving the community capable persons unable to turn away from the pursuit of their livelihood or, if able to do so, unwilling to sacrifice so large a share of their time in such a fashion. And the two conditions are aggravated by the widened scope and increased extent and complexity of the work of the English municipality of to-day, resulting partially from the general adoption of the policy of municipal trading. Also of bearing is the claim that it is noticeable that the local councils, especially in the London area, are not attracting men of quite as high calibre as formerly.

It may further be observed in this connection that it is at times urged that councils, to execute their business with the consumption of less time, should delegate in practice to their committees more authority than is now their custom to do.[3]

NOTE.—It has been suggested (by G. Hammond Etherton, J.P., Clerk of the Lancashire County Council, *The Journal of Public Administration* for October, 1924, p. 393) that a "co-ordination committee," possibly to consist of the chairmen and vice-chairmen of all standing committees, be erected to co-ordinate the operations of the council by being empowered to consider all matters affecting more than one committee.

[3] See, for example, *Report* of the Royal Commission on London Government, *Parliamentary Papers*, Cmd. 1830 of 1923, pp. 132–134.

RECENT BOOKS REVIEWED

The Final Report of the Bronx Parkway Commission.—This is a summary of reports issued in the years 1909, 1912, 1914, 1916, 1917, 1918, and 1922. It is a record of great vision and accomplishment, of the ability to see things that do not exist, that might be and should be, and to persevere through many years of difficulty and discouragement as well as of success.

The material difficulties of restoration and construction, though they must appear formidable to laymen, were the least that had to be met and overcome. In fact, they were of a kind that would invigorate the designer and construction man confident of their invention and energy, and sure of success so long as there is someone to foot the bills. The real difficulties and (as one gathers from the Report) the only ones that gave the commission real concern were the opposition of the owners of property that was necessary to the enterprise, and who would not sell at any reasonable figure. Such property had to be acquired under the law of condemnation, which seems a sound enough process on paper, but which those who have had to do with it find scandalously expensive and procrastinating. Under the findings of the boards of appraisers the average cost of properties by condemnation was not far from double that of property acquired by direct purchase as measured by the values of adjoining properties, and the expense of acquisition was over six times as much. The average expenses of the former per parcel were $987, whereas those of the latter were but $153.10! To the extravagance of condemnation proceedings must be added that of time, for they entailed several years of delay and negotiation, depriving the public of the use and enjoyment of the completed parkway.

Lessons to be learned from the history of the Bronx Parkway are the vital importance of acquiring the necessary land in time, which means well ahead of the time when intensive use is expected. Failing this, land becomes exorbitant and even prohibitive in cost, which means that if a park is created at all, its area will be too limited. If the project of reclaiming the Bronx River and building the parkway had been postponed until now, it might have been impossible of accomplishment, even with New York's greatly increased wealth.

Another lesson is that no land is unsuitable for a park if it is only in the right place. In fact, rundown and left over lands are often just those that ought to be made into parks. The records of park creation in all countries where parks are made bear this out.

A third lesson is the merits of administration under a board of park trustees or commissioners. Whatever the advantages or disadvantages of this form of government for other city utilities, its suitability to the park problem is established.

The parkway makers have treated the river with a free hand, deflecting its course and widening it into lakes where it seemed necessary or desirable, and where the available land permitted, so that for a good deal of its length the stream has become an artificial waterway, accommodating an amount of boating and swimming that would never have been possible in the original river. Where so much has been done well, it would seem invidious to single out any particular feature for commendation; but the bridges are generally of so high a character that they call for mention even in a short review like this.

The commission points with justifiable pride to its abolition of five miles of billboards.

One cannot read this report and know the personnel without feeling that all those in charge of this great enterprise were full of the spirit of service, and were of the kind who would work with just a little more zeal for the public than for other employers.

HAROLD A. CAPARN.

GROWING UP WITH A CITY. By Louise DeKoven Bowen. New York: The Macmillan Company. 1926. Pp. VIII, 226.

Few cities in the world's history have had so romantic a beginning and so spectacular a growth as Chicago on the shores of Lake Michigan. The two or three scattered log buildings on the edge of the sluggish Chicago river in 1832 have been displaced by towering skyscrapers. The small farms which were nearby have disappeared to make way for the Loop District, one of the most congested metropolitan areas in the country. Mrs. Bowen grew up with Chicago. Her grandfather lived in Fort Dearborn and her mother was born within its palisades. She was

intimately familiar with the household stories of her parents and grandparents. She lived as a girl in the old-fashioned red brick house of her grandfather, set back from the road on the corner of Wabash Avenue and Monroe Street. She remembers when her grandfather sold the corner lot on Washington Street and Wabash Avenue, the present site of Marshall Field and Company.

Chicago has been distinguished for outstanding civic achievements. The United Charities, Hull House, Juvenile Court, Juvenile Protective Association, Suffrage Movement, The Woman's City Club and the Women's Committees during the war all have been distinguished achievements. Mrs. Bowen has contributed liberally to all these causes both in money and leadership. The 172 acres of ground at Waukegan, Illinois, which were given to the Hull House Association as a memorial for her husband and which is called the Joseph T. Bowen Country Club, has provided a most interesting extension of the Hull House activities.

From the pages of the book one can see that Mrs. Bowen has taken her responsibilities seriously. The record which she has set down of the organizations and achievements of the charitable and civic movements of the last few centuries is a notable one.

HARLEAN JAMES.

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FOUR AMERICAN PARTY LEADERS. By Charles E. Merriam. New York: The Macmillan Company. 1926. Pp. 104.

To assert that in this most fascinating little volume Professor Merriam has demonstrated a system of efficiency ratings for statesmen would not be entirely fair. He writes without dogmatism, admitting frankly the limitations of his method and the need of further study to test its accuracy. What he has done is to restate briefly the qualities common to political leaders as developed in his earlier books, then to analyze on this basis the political activities of Lincoln, Roosevelt, Wilson, and Bryan, concluding with a series of sharply drawn comparisons between the four.

Biographies have been written and doubtless will continue to be written without end about these men, but biographies are essentially literary, perhaps incurably so. Professor Merriam conceives his task as essentially scientific. Biography may contribute raw materials toward its completion, but the task transcends biography; it seeks no personal or humanistic ends, indeed these are politely deprecated throughout. On this basis, for example, Wilson, in spite of his Princeton professorship, is denied standing as a political scientist, although his great intellectual and literary gifts are freely admitted. In other words Professor Merriam virtually affirms what Senator Lodge shortly before his death denied, namely that Wilson was a scholar.

Eschewing controversy as to the scope and methods of politics, it must be acknowledged that Professor Merriam has made not only a valuable, but also a novel contribution in his *Four American Party Leaders*. Accept or not, as you will, his yardstick for measuring statesmen you must admit that he has employed it fairly and thoroughly, obtaining by its use certain definite and important conclusions. Hero worshippers and partisans will feel at times that Professor Merriam has erred in his estimates of the objects of their adoration or detestation. The writer of this review, who may or may not belong to either or both of the categories named above, expects history to deflate considerably current estimates of Bryan and Roosevelt. Bryan in particular is duly credited by Professor Merriam with a sunny temperament, which, however, was not always to the fore in his moralistic campaigning. Roosevelt certainly did avoid the tariff problem and the liquor problem, but what is meant by saying that he did so "instinctively"? With greater perspicacity than certain biographers, especially William R. Thayer, our author notes that Roosevelt's controversy with the government during the great war was an anti-climax to his earlier career. Although an altogether minor matter it may be worth while to point out that Roosevelt was assistant secretary of the navy, not of the war department, prior to the Spanish-American war. The reference to Wilson's peace time administration with bare mention of the federal reserve and tariff bills only, emphatically does not do justice to his accomplishments prior to the outbreak of the World War.

Professor Merriam's work is constantly marked by flashes of insight, by characterization sharp and well defined as the lines of a Dürer engraving. To quote but one example: "Roosevelt's physical equipment never seemed to me to fit him, but gave quite another picture, for a wholly different Roosevelt is found under his physical set up—a personality in no sense bellicose, bustling, squeaky or tangential, but cool,

keen, calculating, decisive, purposeful." Nevertheless Roosevelt did have his moments of senseless panic.[1] The characterizations of Lincoln (p. 20) and of Wilson (p. 61) are finely conceived and written: whether or not they belong to political science pure and simple, they do take high rank as "mere literature," to use Wilson's phrase. Among his concluding observations Professor Merriam justly notes that the careers of these men give the lie to the cynical conclusion "that only graft and greed and narrow vision win political recognition—at the high points in American public life, whatever may be the case on lower levels."

ROBERT C. BROOKS.

Swarthmore College.

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OUTLINE OF THE LAW OF MUNICIPAL CORPORATIONS. By Allen B. Flouton. Published by the author, 305 Washington Street, Brooklyn, New York. 1926. Pp. XXVI, 240.

This little volume by a professor in the Brooklyn Law School is designed primarily for use in courses on municipal corporations in the law schools of New York State. It will be of use to others who have to deal with the New York law. It pays no attention, however, to the law of municipal corporations in other states. All the citations are from New York and the statements of principle relate exclusively to this state.

The broad outlines of the law are stated clearly. Naturally in a book of this compass it is impossible to consider many legal refinements, and the reviewer cannot escape the conviction that the exposition of principles would have been more effective if the contrasting practice of other states on a few important subjects had been set forth.

Chapter four is devoted to the new city home rule law, the text of which is given in the appendix. The appendix also contains the text of the opinion of the court of appeals sustaining the constitutionality of both the home rule amendment and the city home rule law but denying that municipal home rule powers confer authority to engage in the business of a common carrier of passengers. The footnotes are voluminous and should help in explaining the significance of many leading cases and statutory provisions.

The book will be of most value to those who wish to undergo a quick exposure to the law of municipal corporations.

H. W. D.

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A STUDY OF THE UNITED STATES SENATE. By Arthur MacDonald. Bombay: B. I. Press. Pp. 24.

Doctor MacDonald's pamphlet is packed full of statistics relating to the personnel of the United States Senate during the three sessions of the sixty-second congress (1911–13). He tabulates attendance on quorum and yea and nay calls, first, of the senate generally, then by party and factional groups, and finally by a division into those who were business and those who were professional men.

His most elaborate tabulation is of the legislative activity of each senator. Under initial legislative activities he gives the number of each type of measure introduced, number of subjects discussed and the frequency of remarks on the floor. The distance these measures advance is indicated. Then follows the percentage of each senator's attendance at quorum and yea and nay calls. Finally, from the preceding data, he shows their comparative rating, after giving each of the Democrats a liberal "bonus" because they were of the minority party. The reviewer can see no reason for not giving some other possible groupings, such as those serving their first term, a similar bonus.

Unless intrigued by statistics, *per se*, one may question the value of some of the effort expended. Apart from pension bills, which for some unexplained reason are grouped separately, private bills are shown to have failed of passage in greater proportion than other types of measures. This fact is made the criterion for estimating the legislative success of each member. "The more difficult it is to have action taken on any class of bills, the more that action counts in the scale."

What is the value of such an estimate when computed? One member, because of a long and creditable career, is free to devote his attention to securing the passage of five public bills urgently needed by the conditions of the time. Another member, forced to cater to local interests to secure reelection, pushes five private bills through. The latter is far higher in Mr. MacDonald's scale. Should he be so rated? The author claims only an approximation. But since he thinks it unnecessary to give the names

[1] Cf. O. G. Villard, *Alton C. Parker and Theodore Roosevelt*, Nation, 122 : 716 (June 30, 1926).

of the men he is rating, we are unable to find whether his "statistical" estimate accords with our cruder methods of weighing legislative proficiency.

The assumption underlying his study, the author states, is "that all organizations of men, especially those of long standing and still more particularly those that result from competitive methods, are not haphazard, but act according to laws, most all of which are yet unknown". The reviewer regretfully concludes that this study seems to bring such laws little nearer his reach.

HOWARD WHITE.

Ohio Wesleyan University.

THE POST-WAR EXPANSION OF STATE EXPENDITURES. By Clarence Heer. New York: National Institute of Public Administration. 1926. Pp. 120.

This monograph makes an analysis of the increase between 1917 and 1923 in the cost of state government in New York. The author, after stating various explanations that are commonly offered for the increase in state and municipal expenditures, affirms that these explanations are based on certain assumptions as to the facts. He states that it is his purpose to investigate some of these assumptions and lists ten questions. Space permits mention of but six.

1. "Is the present increase a unique and unprecedented phenomenon?" He shows that the trend of expenditures in New York State has always been upward and that although the cost of the state government doubled during the six years ending June 30, 1923, the state's expenditures had tripled within three years during the Civil War. However, the average increase for the thirty years preceding the World War was about 5 per cent per annum, whereas beginning with the fiscal year 1918 the disbursements of the state grew at an average rate of 20 per cent per annum.

2. "What proportion of this increase has been due to price inflation?" After a thorough analysis in which the author works out index numbers of prices for commodities and services purchased by the state government, he finds that 44 per cent of the increase in the state expenditures for the six years ending June 30, 1923, was due to this factor.

3 and 4. "After making allowance for the changed purchasing power of the dollar, has the cost of carrying on the old and long-established functions of government increased? If so, has this increase been due to the necessity of increasing the volume of service rendered, or has it been due to the fact that a different and more expensive quality of service is now given?"

Mr. Heer ascribes another 13 per cent of the total increase in state expenditures to the increase in the practice of financing capital improvements from current revenues rather than by bond issues. The amount of capital projects in 1923 was less than in 1917, consequently there is no reason for regarding the increase in expenditures resulting from this practice as anything more than a nominal increase. There still remain 43 per cent of the increased expenditures to be explained.

The author estimates that about 23 per cent of the total increases were unavoidable. The remaining 20 per cent of the total increase in expenditures are classed as optional increases. They are found chiefly in the fields of education, highways, health, canals, and protection. The entire amount of such optional increases was only $15,000,000 and when the fact that the income of the people of New York measured in 1917 dollars increased by over $700,000,000 between 1917 and 1923 is set over against this amount, the latter does not appear very large.

5. "Did governments actually fall behind in their maintenance and construction programs during the war, and how much of the recent increase in public expenditures is attributable to that cause?"

The author presents figures showing the extent to which expenditures for schoolhouses, sites, furniture and repairs were curtailed during the war period and a rough indication as to the undermaintenance of highways is furnished by a table showing the number of miles of highway given light surface treatment for the calendar years 1915 to 1922 inclusive. The increased expenditures resulting later have been included in the figures for unavoidable increased expenditures.

6. "How much of the increase has been due to the assumption of new governmental activities?"

The most costly of the new governmental agencies established during this period was the department of state police. The increased cost, however, was more than offset by the reduction in the cost of maintaining the national guard. The income tax bureau cost the state $777,000 in

1923—but this bureau collected $38,000,000 in personal income taxes in the same year. In 1921 the motion picture commission was established.

On the other hand in addition to the reduction in the cost of the national guard, the state excise department, the office of the superintendent of elections, and the state quarantine station in New York City were discontinued.

The monograph is very timely appearing as it has at the same time as the Report of the New York Special Joint Committee on Taxation and Retrenchment which deals with the same general subject. The two studies supplement each other and agree on the general conclusion that state expenditures in New York are not increasing at an alarming rate. Mr. Heer's work in constructing index numbers is especially to be commended.

HENRY F. WALRADT.

Ohio State University.

The Organization of the City, County and Borough Governments Within Greater New York.—This pamphlet published by the National Institute of Public Administration gives a brief outline of the city, county and borough governments, which together comprise the government of Greater New York. It contains the first complete chart of the local government of New York city ever published. The authors have succeeded in compressing the entire government of Greater New York within a chart measuring 20 x 27 inches. It is legible and will be appreciated by those who understand the difficulties of chart drawing as a masterpiece of graphic art.

Minneapolis City Charter: 1856–1925.—This is a 138-page booklet written by Jessie McMillan Marcley and published by the Bureau for Research in Government of the University of Minnesota. It traces the charter changes in Minneapolis since its incorporation as a city down to the proposed council manager charter defeated at the election last June.

Much attention is paid to the development of home rule in Minnesota with respect to Minneapolis and the booklet will be of importance to all those who have an interest in the subject of home rule generally. An organization chart of Minneapolis city government is included.

Civic Survey of an Iowa Municipality.—Professor Roland S. Wallis is the author of this 126-page pamphlet which is in reality a city planning survey of Mason City, Iowa. The purpose of the report is to examine a typical city and thus to furnish a method of suggestive value to every municipality in the state. The pamphlet is published by the Engineering Extension Department of Iowa State College. Part Two of the report (31 pages) constitutes instructions to survey committees on city planning.

Tax Rates in Minnesota, compiled by Harvey Walker and published by the League of Minnesota Municipalities, contains detailed tables of city, village, county and school district tax rates together with a table of assessed valuation and tax yields in cities and villages and a table showing the iron mine property of cities and villages. The tables have been worked out in great detail and are comprehensive. Of most interest to the casual reader is Table 3 showing the assessed valuation of iron ore in cities and villages in the three counties composing the iron range. Iron properties are assessed at 50 per cent of their full value and ordinary real estate at 40 per cent of full value. In many of the cities in the iron range the assessed valuation of iron ore comprises more than 90 per cent of the assessed valuation of all the property within the city.

Delaware River Bridge Approach is the title of a report published by the Regional Planning Federation of the Philadelphia Tri-State District. It is a study of how best to treat the Philadelphia approach to the bridge recently opened. The report emphasizes the importance of proper handling of regional as distinguished from local traffic. A scheme is propsed for the separation of local and regional traffic and to provide ease of circulation for the through traffic around existing congested centers and direct access to outlying sections.

GOVERNMENTAL RESEARCH CONFERENCE NOTES

EDITED BY ARCH MANDEL

Taxpayers' League of St. Louis County.—A police manual was drafted by the Taxpayers' League of Duluth and accepted by the commissioner of public safety. The previous manual had not been revised since 1906.

A new Civil Service Commission was recently appointed, and the Taxpayers' League has prepared for it class specifications of positions in the city service.

Norman L. Meyers, who has been on the staff during the summer months, leaves September first to enter the Robert Brookings Graduate School of Political Science at Washington, D. C.

The Duluth city charter commission has before it a petition for a city manager form of government, and has appointed a sub-committee to study the proposal.

The Commission of Publicity and Efficiency, Toledo, Ohio.—The Commission of Publicity and Efficiency recently completed a survey of the Toledo Health Department. The chief points brought out by the survey were decentralization of public health administration, an inadequate record keeping system, violation of civil service provisions of city charter relative to competitive examination for food and sanitary inspectors, too great a number of old men in food and sanitary divisions, and improper financing of health laboratories.

For measuring the results of the health work, the appraisal form of the American Public Health Association was used to some extent.

The survey is being published in serial form in the *Toledo City Journal*, the publication of the Commission.

Bureau of Municipal Research, Philadelphia.—George B. Galloway was added to the professional staff, succeeding Edward T. Paxton, who resigned last spring to accept the directorship of the Committee of Seventy. Mr. Galloway is a graduate of Wesleyan University and has done post graduate work in political science in Washington University and in the Brookings Graduate School in Washington, D. C. He has also had several years' experience in business research with private corporations.

Cincinnati Bureau of Municipal Research.—This organization under the directorship of John B. Blandford, Jr., has made a running start in getting under way. Two reports were prepared and published in August, one on a retirement system for Cincinnati, and the second is the Bureau's Comment on the first draft of the proposed amendment to the city charter.

The report on the retirement system was prepared at the request of the city manager, and is merely a preliminary statement, although comprehensive, showing what it would require financially of the city of Cincinnati to establish an adequate retirement program. The Bureau did not participate in the original drafting of the amendment to the charter, but at a public hearing presented its comments and recommendations on the amendment.

At the request of the city manager the Bureau is also making a study of the organization and record system of the highway department. Together with the engineer of the City Planning Commission, the director is working on an extensive improvement program for the city.

Pittsburgh Bureau of Governmental Research.—It will be recalled by those who attended our last conference in Pittsburgh that Henry Oliver Evans, of that city, after listening to the enlightening papers on research methods and accomplishments presented at the afternoon session, expressed his gratification that such organizations existed and hoped that Pittsburgh would have a municipal research bureau in a comparatively short time. As the result of Mr. Evans' efforts, the Pittsburgh Bureau of Governmental Research was organized last July. The officers are, Taylor Allderdice, chairman; Howard Heinz, vice-chairman; Henry O. Evans, secretary and Arthur E. Braun, treasurer.

Having organized, the Bureau Officials waited

upon Mayor Kline and offered him the co-operation and support of the Bureau in his efforts to promote good government in Pittsburgh. The Mayor "Endorsing the Bureau hailed its advent as prophetic of a new day in Pittsburgh governmental history and as the most notable civic contribution in many years. He promised that during his administration he would stand ready to avail himself of the Bureau's exact knowledge and unbiased, expert co-operation in working out Pittsburgh's financial problems."

Milwaukee.—Harold Henderson of the Milwaukee Bureau is making a circle tour of the commission manager cities, picking up material for newspaper stories in the campaign promoting the city manager form of government for Milwaukee. Henderson was particularly impressed with Colonel Sherrill the manager of Cincinnati, his attitude toward the newly organized bureau of municipal research and with the auspicious beginning of John Blandford, the director of the bureau.

PUBLIC UTILITIES

EDITED BY JOHN BAUER

Public Utility Consultant, New York City

Problems of Giant Power Control.—We wish to call attention to the special articles in this number of the REVIEW dealing with public utility regulation especially the electric industry by Mr. Wells and Mr. Dykstra. Mr. Wells devotes himself to the problem of "Giant Power", particularly how it is to be organized and kept under effective control. He favors private ownership and operation but he would link together the various power groups into a single large pool of production so that all distribution lines would be supplied by all the production centers combined. For proper public control, he would base the return allowed to the private companies upon the actual prudent investment, but would allow such a variable return as to keep the market value of the capital stock substantially at the par value. His plan is that embodied in the Giant Power Bills considered by the Pennsylvania Legislature in its last session.

Mr. Dykstra favors outright public ownership and operation and points out why he believes the public would thus be better served than by reliance upon regulation of private companies. He draws the issues clearly and his views are well worth considering as compared with the results fairly to be expected from a classified policy of regulation. We urge careful study of the two articles.

Our own point of view so far as general policy is concerned follows more the line presented by Mr. Wells. For the most part, allowing for particular circumstances which may favor direct public ownership and operation we believe that the public interest will be served best by classifying and making more definite the principles and methods of regulation. In these respects we are in thorough agreement with Mr. Wells, both as to his criticisms of existing policies and the provisions for definite regulation. There are, however, two observations which we wish to make; relating, (1) to the nature of "fair value" as defined by the supreme court of the United States, and (2) the rate of return that ought to be allowed in a well defined policy of regulation.

THE SUPREME COURT AND REPRODUCTION COST

We agree with Mr. Wells in practically everything that he says about the objections to the "fair value" as used for rate making under supreme court proceedings. We have pointed out repeatedly that it is (a) indefinite and conjectural, and (b) variable with time and circumstances. But we do not agree with him when he appears to imply that "fair value" is based primarily upon the reproduction cost of the properties: "fluctuating with every increase in land and resource value, every hypothetical change in current construction costs for labor or for material found in the structure and equipment at the time of regulation." If he means to say that the court has accepted the reproduction cost as the measure of "fair value" we cannot follow him. On the contrary, the court has said specifically that a company is not entitled as a matter of law to have its return based upon the reproduction cost of the properties.[1] Nor has it declared in favor of actual cost or prudent investment. Here is just the difficulty; nobody knows what "fair value" is and exactly how it is to be measured. Consequently its determination involves endless disputes, including not only difference of opinion as to quantities and unit prices, but also as to elements to be included and their relative weight in the valuation.

Up to date, the court has repeated many times the statement that a company is entitled to a return in the "fair value" of its properties devoted to the public service, but it has steadfastly refused to specify precisely how the amount is to be determined. It has insisted that reproduction cost must be considered, but that it is not the measure of "fair value." It has never more than indicated the elements which should be considered. It has never specified the relative proportions of the various elements to be taken into the valuation.

Just what the supreme court has decided, is extremely important in the consideration of

[1] Georgia Railway and Power Co. v. Railroad Commission of Georgia, 262 U. S. 625.

future rate making policies. If reproduction cost were established, the placing of future regulation upon a workable basis would be a difficult task indeed. But if, as we assume, the court has merely refused to act in a legislative capacity in not specifying how rates are to be fixed, then the legislatures appear to be free to correct the procedure of regulation as conditions justify; always, however, treating the companies and investors fairly. This, we believe, is the situation today; sensible regulation upon a scientific basis is available any time the legislatures understand the situation and act accordingly. We agree with Mr. Wells that the rate base must be investment, but to obtain its adoption will not require the roundabout pressure placed upon the companies as implied by Mr. Wells. All that is needed is intelligent legislation, adopting as the rate base the actual cost of the properties for all future investment, and providing for a reasonable appraisal of all present properties.[1] If the books of the companies are then re-written according to the appraisal, and if all subsequent additions are entered into the accounts at actual cost, the rate base would then be a definite and exact amount and would not involve any dispute for rate adjustment.

VARIABILITY OF RATE OF RETURN

The second point of disagreement with Mr. Wells is the question whether there should be any variation in the rate of return. We agree that the rate base should be actual cost, not subject to variation, but he would make a variation in the rate of return so as to keep the market value of the capital stock equal to the par value. We doubt the desirability of such modification because of its lack of definiteness and because of the effect upon the market from any expected change in the rate of return allowed. It would not only continue the conflict of interest between the public and the companies, but would perpetuate the speculative features of present regulation. We see no reason why the rate of return should not be as definite a thing as the rate base itself. When bonds are issued the rate of interest is fixed by contract and the price of the bond depends upon market conditions. The sale fixes once for all the return demanded by investors and there is no reason for subsequent revision of the rate. This measures the "cost of money" which is an exact amount included in the cost of service without any dispute as to fact. Likewise if a definite dividend rate were fixed upon all capital stock, the market price would determine the "cost of money" as new stock is issued, and there would be no reason for later variation. If the rates definitely include the interest and dividends called for in each successive security issue, the "cost of money" is fully provided for; the investors get what they expected; the facts are definite and there is no chance for dispute as to amounts included in the cost of service.

We believe that effective regulation should limit as far as possible the conflict between the public and private interest, as well as the uncertainties and speculative features of regulation. Therefore we agree with Mr. Wells that actual investment must be adopted as the rate base, but also that the actual rate of return agreed upon as the various securities are issued should be accepted permanently as the rate of return allowed to the investors. We should prevent variability not only in the rate base but also in the rate of return. Then the entire allowance of return would rest upon a factual basis, subject to accounting control, not permitting any uncertainty or conjectural quantities.

[1] For detailed analysis see Bauer: *Effective Regulation of Public Utilities*. (MacMillan Company, 1925.)

Public Utility Taxes.—Mr. Arthur Williams, vice-president of the New York Edison Company, in charge of commercial relations, during the past year has used the most modern means of publicity to tell the public about his company. He has delivered a series of radio talks, and in each one took up a specific topic which he presented in a very interesting way. Most of the topics were important and the discussion was enlightening to the public. There was, of course, some "propaganda"; but the series was a valuable contribution to public understanding of a great modern utility.

To us, one of the very interesting topics was: The Public Utility Dollar—Where a Large Part Really Goes. He points out that the public utilities of the county pay annually fully 700 million dollars in taxes. In New York state the gas and electric companies alone are paying this year over 30 millions. In New York city, on the average, ten per cent of every electric light bill is paid in taxes.

These are the facts as stated by Mr. Williams but we shall point our own moral as to their

public significance. The subject of public utility taxation deserves a great deal of investigation and discussion. Very few people realize that they are paying virtually a consumption tax on their utility bills; that the companies are expected by the law to pass the taxes on to the consumers through higher rates paid for service.

The time has come when the basis of public utility taxation must be reconsidered according to present day conditions. Public service corporations in the past were taxed as other corporations because they were treated essentially in the same way in other respects. When they fixed their own charges for service and made what profits they could out of the business or at least before they were brought under present day regulation, the taxes paid by them were not readily transferred to the consumers and thus reduced the net earnings. But as rates are more closely fixed according to the cost of service, the taxes are directly transferred upon the consumers, so that the company serves merely as a vehicle of collection from the public. It is only where our principles of regulation are ineffectually applied, that is where the companies are not actually regulated, that the public does not pay the entire tax outright in the bills charged for service. As regulation is made effective, the companies become merely tax collection agencies for the various orders of government.

This fact is entitled to public attention and to consideration as to desirable tax policy. The tax is convenient if collection and the burden is broadly divided. But do we desire such a consumption tax if we know that we are paying it? Moreover, so far as commercial consumers are concerned, is there not grave danger of placing a disproportionate burden upon the one particular cost element and thus discouraging the use as compared with other items entering into production? For example, a ten per cent surcharge upon the cost of electric power may be a considerable factor in retarding the use of electricity and continuing steam power which is not thus burdened with a special tax. But, certainly, it would be unwise to restrict the use of electricity through the effect of taxation. There is here a very important field for intensive investigation, to bring utility taxation in line with present day conditions. We do not say that utility taxes, as consumption taxes, should be abolished but we do insist that we should know better what the consequences of such taxes are.

Railroads and Buses.—The Interstate Commerce Commission has received a great deal of interesting information on the development of bus and motor truck transportation and their effect upon the railroads. Hearings have been held in different parts of the country so as to give all interested parties an opportunity to present their ideas and special facts in their possession. There is no doubt that motor transporation has cut into the railroad business more than has been generally assumed. The question is: What shall we do about it? Shall we let the new form of transportation compete without limit against existing agencies? Shall we place the motor business under the control of the railroads? Or shall we seek both coördination and competition between the old and the new?

The commission's report and recommendations will be awaited with great interest. The problem is a difficult one. Any decision will be subject to serious objections. For example, the Erie Railroad Company has claimed at the New York hearing that it is losing $1,000,000 a year in revenues to bus competition—losses in commutation and suburban traffic. But, what is the answer? Shall we prohibit bus operation, or shall we grant a monopoly of it to the company, or shall we permit the railroads to operate buses in competition with other routes? Shall all bus operation be placed under regulation? No one answer is entirely satisfactory, and we shall require much more experience before we can intelligently decide upon any course of action.

One thing is certain; the bus and motor developments are placing upon the railroads the necessity of really examining themselves critically and doubtless finding means of improvement. The new competition will be a tremendous spur to railroad improvements and economies, and there appears to be plenty of room. Heretofore complaints and suggestions have been met by denials and alibis, but now the railroads will actually have to do something to hold their traffic,—and they can in the face of necessity. We have heard railroad officials repeatedly speak contemptuously of various traffic—that it does not pay, is a nuisance, the company would like to get rid of it, so the Erie as to its commutation business. But now the Erie regards with respect the $1,000,000 of revenue and will doubtless find means of fighting effectually for the available traffic. For some time, at least, we may look with complacency upon bus and motor truck competition.

JUDICIAL DECISIONS

EDITED BY C. W. TOOKE
Professor of Law, Georgetown University

Home Rule Powers of Cities in Colorado and Wisconsin.—The home rule powers of the city of Denver, conferred by the state constitution, was passed upon in People v. Stapleton, decided June 28 by the supreme court of Colorado (247 Pac. 1062). The power to amend the charter or to adopt any measure upon the initiative of five per cent of the voters and the ratification of a majority of the electors arose upon a writ of error to a mandamus to the council to submit to popular vote a measure which provided for the establishment of a city manager form of government and a public service commission, abolished preferential voting, laid down rules for the apportionment of the cost of sewers, and named the incumbents of newly created officers who were to hold their positions till the municipal election of 1931. The court upholds the right of the council to refuse to submit the measure upon the ground that the constitution vests in it the judicial duty to determine whether the petition conforms to the constitutional requirements. The refusal of the council was based upon the contention that the petition was illegal in its attempt to unite in one act several amendments on unrelated subjects so combined that the voters must accept or reject them in toto, and that the measure was an attempt unlawfully to fill offices by legislation. The court fully sustains the position of the council on these points and holds that while one amendment or an entirely new charter may be adopted by initiative and referendum, a measure providing several amendments may not be thus submitted. The court also holds that while possibly elective offices might thus be filled for a short term, as till the next regular election, the city has no power to legislate persons into office for so long a term as practically to abolish the elective principle.

In State v. City of Milwaukee (209 N. W. 860) decided July 20, the supreme court of Wisconsin holds that the regulation of the height of buildings comes within the home rule powers granted by the amendment of 1921 to the state constitution, which confers upon cities and villages the right "to determine their local affairs and government subject only to this constitution, and to such enactments of the Legislature of statewide concern as shall with uniformity affect every city and every village." In an able opinion by Eschweiler, J., the court points out that the sphere of home rule provided by the amendment is still largely indeterminate and must await judicial construction, that while matters of taxation, schools, public roads and administration of justice seem clearly to be of statewide interest, a question like the one raised in the case is peculiarly a local one arising out of urban as distinguished from rural conditions. The recent cases of Brown v. City of New York (241 N.Y. 96) and of Niehaus v. The State (111 Ohio St. 47), in both of which the extent of local powers under constitutional home-rule amendments are discussed, are relied upon by the court in support of its conclusions.

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Initiative and Referendum.—The practical limitations upon the use of the initiative and referendum in the enactment of municipal ordinances is illustrated by three cases recently decided in New Mexico, Illinois and Arkansas. The statutes of New Mexico give municipalities the power "to erect water-works or gas-works or authorize the erection of the same by others" subject to approval by a majority of the electors voting upon the question. In Asplund v. Santa Fé (244 Pac. 1067) the supreme court holds that a franchise to operate an existing water plant and to make extensions and betterments may be granted by ordinance without a referendum. In Illinois in the case of Dallas City v. Steingrabber (151 N. E. 888) the supreme court held that the statutory requirement that ordinances adopted in cities under a commission form of government must if protested be submitted by referendum to the electors for approval did not apply to ordinances authorizing improvements under the Local Improvement Act. A similar decision in Arkansas, Paving District v. Little (282 S. W. 971), holds that the statute authorizing the use of the initiative and referendum in municipal legislation does not apply to an ordinance erecting a paving

district on the ground that the city council acts as the agent of the property owners and that such an ordinance is not municipal legislation within the meaning of the constitution and statutes As the special improvement district generally covers a small portion of a city, it is clear that the application of the initiative and referendum to its creation is not practical.

Liability of Counties for Defects in Highways.—The strict limitation of the liability of counties for damages due to defects in highways to the extent imposed by statute is illustrated in Cunningham v. Commissioners of Rice County (246 Pac. 525) decided by the supreme court of Kansas June 12. Although the highway in question had been built by the joint action of two counties, the plaintiff was held to have a remedy only against the county in which the accident occurred, the statute not extending the right of action against any but the county where the road was located. In Potter v. Whatcom County (245 Pac. 11) a joint action against both the county and the town, which had together built a defective bridge was allowed by the supreme court of Washington on the ground that both counties and towns were made liable by statute and there was evidence of negligence on the part of each. In Texas, where counties are made liable for damages caused by the defective construction of highways, it was held in Harris County v. Gerhart (283 S. W. 139) that the statutory remedy for compensation excluded any right of action based on negligence, and that the plaintiff whose lands were flooded by the construction was limited to one action for permanent damages. In Maryland where the common law liability of counties for defective highways has long been recognized, it was held in Commissioners of Kent County v. Pardee (134 A. R. 33) that the county independently of statute was liable to one injured where the accident was due to a long continued defect in the highway, which it was the duty of the county to repair.[1]

Right of Laborers and Material Men to Recover on Bonds Given on Public Works.—In Ideal Brick Company v. Gentry (132 S. E. 806) and Standard Electric Time Co. v. Fidelity and Deposit Co. of Maryland (132 S. E. 808) the supreme court of North Carolina passed upon the right of those furnishing labor and material to recover directly from the bonding company upon the failure of the contractor to pay. In the first case, the statute in existence at the time the bond was given expressly limited its benefit to the municipality for which the work was to be done. The second case arose after an amendment to the law adopted in 1923, requiring a bond to protect those furnishing labor and material, which the court construed to give the material man upon default of the contractor a direct action against the bonding company. This decision is in harmony with the construction of the federal statute (Hill v. American Surety Co., 200 U. S. 97). As public property cannot be the subject of a mechanic's lien unless expressly so made by law, a statute simply requiring the contractor to furnish a bond will generally be held to be made for the sole benefit of laborers and material men and to give them a right of action upon failure of the contractor to make payment. This is the basis of the decision of the United States District Court for New Mexico (Southwestern Portland Cement Co. v. McElrath Construction Co. et al., 11 Fed. 2nd 910) which held that the plaintiff might bring an action against the bonding company to recover payment for material furnished on a public contract.

New York Statute Providing Equal Pay for Male and Female Teachers Upheld.—In Moses v. Board of Education of Syracuse (217 N. Y. Sup. 265), Justice Edgcomb of the supreme court issued a permanent mandamus to the board to adopt schedules of teachers' wages that will literally carry out the statutory requirement against any discretion in the matter and that the petitioners may invoke the aid of the courts to compel the performance of the ministerial duty. The fact that the board is without funds to meet the increased salaries and has no power to levy taxes, does not relieve it of its statutory obligation to make the salaries of male and female teachers in similar positions equal. The effect of this decision is to emphasize the drastic control of school expenditures by the legislature and the extent to which the independence of local school authorities is curbed. The maintenance, support and administration of the public school systems of the several cities of the state was expressly omitted from the home-rule powers conferred by Article XII of the state constitution.

[1] An extended discussion of these cases will appear in the next number of the REVIEW.

MUNICIPAL ACTIVITIES ABROAD

EDITED BY W. E. MOSHER

Encroachment on Municipal Home Rule in Germany.—There are few issues of German publications dealing with municipal matters which do not find space for at least one article on the infractions of home rule principles. They are becoming so many and so grave that the point of endurance seems to have passed. In a recent issue of the Zeitschrift für Kommunalwirtschaft a city councillor of Schwerin argues the case with special reference to the violation of home rule principles by the central authorities in his own state, Mecklenburg-Schwerin.

He points out that according to the constitution of Schwerin the central government is given the right to exercise simply supervisory control. This is specifically limited to a consideration of (1) the legality of measures passed by the local authority, (2) the soundness of administrative procedure and (3) the financial program and policy. But, according to the writer, there has recently been a veritable flood of imperial and provincial legislation whose restrictions have resulted in practically breaking down the principle of local autonomy. This applies both to actual legislation enactments and to the methods of administration. "Supervisory control" on the part of central officials is coming to mean a share in administration. Central authorities are to be compared with guardians, the localities with wards.

The writer goes on to complain that an outstanding and unfortunate result of these experiences is the disappearance of good will in dealings between local communities and the officials of the higher governmental unit, and a distrust on the part of the legislative bodies of the provinces and the empire. In his opinion, the chief remedy lies in the development of confidence in the capacity of the local authority to be responsible for its own affairs. He urges further the reduction of tasks imposed by central authorities upon local authorities and a thoroughgoing reorganization of the administration of the local, provincial and imperial governments so that there will be a diminution of over-lapping functions and of bureaucratic control.—*Zeitschrift für Kommunalwirtschaft, July 10, 1926.*

Nation-wide Fire Fighting.—The president of the Royal Federation of Belgian Firemen presented at a recent convention a program for the organization of the fire fighting services on a nation-wide basis. His point of departure was a review of the number of localities having equipment for combating fire and the number in which there is none. According to the totals there are something over 1500 communes out of the grand total of 2639 that have no means of fighting fire. To give adequate protection throughout the whole of the country, some 15,000,000 francs would be necessary for the installation of desirable equipment and an annual budget of 3,800,000 francs would be required for maintenance. The latter amount is about what is spent each year by the citizens of Brussels for their protection.

The paper was supplemented by the report of an order issued in France on January 6 last by the prefect of Pas-de-Calais, addressed to the mayors of his department. It was of interest because it indicates that there is in operation at the present time in one of the departments of the French government just such a scheme of country-wide fire protection as was suggested by the Belgian captain.

The main provisions in the order are as follows: (1) the organization of a special commission for the purpose of providing fire protection in all communes of the department, (2) the establishment of 11 principal centers with a radius of action up to 25 kilometers, (3) the establishment of secondary centers whose radius of action is limited to from 10 to 12 kilometers, (4) the provision for modification of the above distribution as need and expediency require, (5) the communes are given free choice to attach themselves to such main centers as seem convenient to them, (6) an insurance fund is established to cover accidents that may occur in connection with actual fire fighting expeditions, contributions being made to this fund by the participating communes according to the number of inhabitants, (7) fixed rates are set for indemnifying the center which aids the community in which fire occurs. The rates run as follows: 3 francs for each kilometer for each vehicle; 20 centimes for each meter of hose employed; 10 francs an hour for each motor pump used; 4 francs an hour to each fire fighter and 5 to the mechanician. The minimum indemnity charge is set at 200 francs. The indemnity is to be paid

into the general fund of the municipality rendering aid. In case chemicals are used the amount consumed is to be replaced at the expense of the beneficiary. (8) A special commission is to be composed of representatives of the following personnel: general councillors, mayors, inspector general of the fire department, captains elected by the company and two representatives of mining companies having fire apparatus. This commission is to meet once a year under the presidency of the prefect.

It was recommended that the Belgian Conference should appoint a commission for the purpose of studying and reporting upon the adoption of a similar system to cover the whole of Belgium.—*Le Mouvement Communal, June 30, 1926.*

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Regional Planning.—Under the economic and political pressure which Germany has experienced and is experiencing, progress in governmental matters is being made perhaps more rapidly than in other countries where there is no such pressure. This applies to the whole question of regional planning, although it is called in Germany, country-wide planning.

In an address before the German League of Municipalities a review was given of the steps already taken and plans outlined for further developments. The regional plan for the Ruhr which has already been described in these columns was cited first. The plan for the economic unit comprising the cities of Dresden, Leipsig and Chemnitz came next in order. This was followed by a brief description of the plan for the province of Merseburg with its 37 cities and 12 counties and then by the most recent plan for the province around Düsseldorf which was inaugurated in 1925.

Such more or less local plans were, in the opinion of the speaker, but forerunners of a comprehensive country-wide plan which would be developed under one of the ministers of the central government and would take into account all of the productive capacities of the nation as well as its economic and other requirements. It would involve comprehensive schemes for the development of lines of communication, for power resources, mineral wealth, for the best use of waste lands, as well as provisions for new settlements and cultural institutions.

Among the introductory steps in this direction the report of the Society for Construction of Automobile Roads was cited. Their program calls for a network of through roads covering 15,000 kilometers. One feature of these roads would be the entire absence of cross-roads. It appears that a number of localities have already given approval to this project.

The need of such a comprehensive country-wide plan seemed to the speaker to be particularly imperative before the plans for individual localities became fully matured.—*Mitteilungen des Deutchen Statedtages, July 7, 1926.*

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Recruitment for Municipal Services.—The vice-chancellor of the University of Durham, who has given considerable thought to the professionalizing of the public service, has recently contributed an article on the desirability of organizing recruiting methods for the municipal civil service in England along lines already in operation for the national civil service. He proposed the division of the municipal civil service into upper and lower groups with proper provision being made for individuals to rise from the lower to the upper division. He recommends that the educational tests for entrance into the upper division should be the higher school certificate. His most far-reaching suggestion calls for the pooling of appointments on the part of local councils so that a common examination for the same position for all councils would be given by a single agency. Successful candidates would be permitted to choose in rotation the council in which a vacancy might exist. He looks forward to the time when the main part of the work of local government will be carried on by a permanent and technically skilled civil service with the broad direction of public policy left in the hands of the direct representatives of the voters.—*Local Government News, May–June, 1926.*

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Berlin Municipal Report.—There has just been published by the statistical bureau of the city of Berlin the first part of an administrative report of the new city of Berlin for the period 1920–24. The purpose of this report is to give an account of the changes that have taken place since the reorganization of the city in 1920 which resulted in the elimination of 94 of the original communes, comprising a total area of 88,000 hectares and 4,000,000 inhabitants. The problems that had to be solved in connection with this undertaking were manifold and the methods of solution are presented in a very clear and interesting manner. A description of the central ad-

ministrative organs, of the limitations of functions, the distribution of rights among individual communities with respect to each other and matters of this sort are treated in the report. Of special significance are the details of the work of the reorganization. Among other things brought about was a special commission of 5,000 officials that in the space of three years was responsible for reduction of municipal employees by nearly 7,000.

Further parts of the report are announced. They will deal with finance and taxation, health, welfare, education, art, housing, industry, transportation and municipal undertakings of various sorts.—*Preussisches Berwaltungs-Blatt, June 10, 1926.*

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Monographs on German Cities.—The editor of the Monographs on German Cities, Dr. Erwin Stein, has just brought out the sixteenth in the city series. It deals with Waldenburg in Schlesien. As certain of these monographs have already been considered in some detail in these notes it need only be said that this most recent issue is quite in line with the high standards that have already been set. It gives the reader a first-hand picture of the character of the life, culture, occupations and municipal administration of this important city in Schlesien.

Two other similar monographs have appeared in the series on German Provinces. The one has to do with East Prussia and the other with Schlesien. As is customary the articles are contributed by men in such official positions that their statements carry weight and authority.

✻

Street Cleaning in Germany.—The *Danziger Statistische Mitteilungen* circulated 46 of the German cities of 100,000 and more population with reference to the administration and costs of street cleaning. The results of the questionnaire are brought together in tabular form in the issue of May 20, 1926. The following data are of particular interest. In 46 of the 49 cities the street cleaning is handled directly under the control of the city, whereas in three, property owners are responsible for the cleaning of the street, the city taking over all public places, bridges and the sections of the street adjacent to the public buildings.

Fourteen of the cities meet the cost of street cleaning from general funds. In 1913, twenty-four of the cities of this same group made this charge against general funds but due to financial pressure in recent years a marked change in practice has come about. Charges for cleaning the streets, when not paid from general funds, are made against the property owners (1) on the basis of the amount of surface cleaned, (2) the rentals of the buildings or real estate bordering on the street, (3) the frontage or (4) assessed valuation.

The report includes a list of the cities which defray costs of street cleaning in the above ways together with the rates charged on whatever basis the costs are carried.—*Danziger Statistische Mitteilungen, May 20, 1926.*

NOTES AND EVENTS

EDITED BY H. W. DODDS

Charter Amendments in Cincinnati.—Acting under a provision of the present city charter, the council of the City of Cincinnati appointed a commission consisting of Henry Bentley, Robert A. Taft and Robert N. Gorman to draw up a revision of the existing charter. This commission organized by electing Mr. Bentley its chariman, Mr. Taft its vice-chairman and Howard L. Bevis its secretary.

After several weeks' work the commission presented to the council a tentative draft of the proposed new charter. The council thereupon appointed days for three public hearings which all persons interested were asked to attend. At the conclusion of these hearings the draft was referred back to the commission, together with the recommendations of the council. The commission has completed its work by sending to the council its finished draft embodying the results of the hearings and suggestions made.

The city manager form of government is continued.

The principal changes are grouped around the central idea of giving to the council full legislative home rule powers. The existing charter adopted all the laws of Ohio applicable to cities in force on January 1, 1928; *i.e.*, it made the Municipal Code the charter of Cincinnati, except that the city was deprived of the benefit of amendments to the code passed after 1928.

The commissioners have worked upon the theory that the charter is essentially a constitution and should, therefore, be general in its terms and elastic. In view of the large powers given to the council, however, it was deemed necessary to prescribe the method of legislating so as to insure proper publicity. Certain restrictions were likewise thrown around the civil service, the sinking fund and the university. Council may reorganize the city government but it cannot abolish the office of city auditor, city treasurer, city solicitor nor the boards of park commissioners, planning commission, health, rapid transit and recreation.

The city auditor is to be appointed by the mayor and council as a check upon the city manager.

A somewhat novel feature is the composition of the civil service commission. Two chief objects of civil service were recognized: (1) to secure competent employees (personnel work); (2) to retain faithful employees in office. To this end, the secretary of the civil service commission is to be appointed by the city manager (who is chiefly concerned with securing good men) and the secretary is made the chief personnel officer of the city. The members of the commission, itself, on the other hand, are to be appointed, one by the mayor, one by the university trustees, and one by the board of education. This, it is thought, will remove the board from political subservience to the administration in power, and make it more of a judicial body to preserve permanence of tenure for competent persons.

The new draft, by taking advantage of the Tallentire Law, escapes the jurisdiction of the county budget commission which, many people feel, has hampered the financial progress of the city for several years.

The amendments will be voted on by the people at the November election.

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Banks Collect Taxes in Detroit.—Taxpaying in Detroit was relieved of some of its "cussedness" by the coöperation of four banking institutions which acted as tax collecting agencies during the thirty days' tax collection rush. City Treasurer Guy L. Ingalls reports that 38,125 taxpayers made their payments amounting to $3,199,906.11 direct to the banks, and points to these figures as indicative of the success of the experiment.

The banks participating in the work were the Detroit Savings Bank, Bank of Detroit, Commonwealth Federal Savings Bank and the Commercial State Savings Bank, with a total of sixty-two branches.

This system could only be worked out in cities where, as in Detroit, taxes are pre-billed to property owners. This plan was started the first year Mr. Ingalls was in office, 1919, and has met with the hearty approval of property owners. When the city was smaller, it was almost impossible to take care of the crowds that thronged the City Hall at tax collection time, and with the growth of Detroit from a city of an area of 46.92

square miles, in ten years, to a city of 139 square miles and upwards of 400,000 taxpayers, it is quite evident that the pre-billing system is an absolute necessity.

With the mailing of tax bills to all property owners, the treasurer also announced that anyone's check for taxes would be accepted without certification. This feature, the treasurer says, has resulted in upwards of 100,000 taxpayers paying taxes by mail.

This year the treasurer decided that still something had to be done to relieve further the congestion at the City Hall during the taxpaying period, and he was successful in enlisting the services of the four banks above mentioned, who, without charge either to the city or to the taxpayer, gave the service of their branches.

Each bank was designated as a branch of the city treasurer's office. This allowed the bank tellers to use the treasurer and city controller's stamp signatures on tax bills and allowed the taxpayer to leave the bank with his receipt just as it would have been issued had he visited the treasurer's office in the City Hall. The money as collected was immediately placed to the credit of the city of Detroit in each bank, and subsequently, within forty-eight hours, transferred to the city's regular depositories.

Detroit has a system of two payments on general city taxes, if so desired by the property owner, the people, in 1921, having voted to permit payment of one-half the city and school levy during the period July 15–August 15, and the other half between December 1 and 31. The total tax levy for the fiscal year beginning July 1, 1926, was $71,318,261. This year 91,869 half-payment receipts were issued for a total of $20,583,636.20. The branch banks were only permitted to make full collections this year, but the treasurer expects that next year he will be able to extend the branch bank service to include half-payments and he anticipates that instead of sixty-two branches he will have more than one hundred assisting him in the collection of taxes.

Inasmuch as Detroit labors under a dual system of tax collecting (the county treasurer collecting state and county taxes in the city) this service is of particular value to taxpayers.

✻

The Pennsylvania Primary, a Sales Argument for P. R.—The Proportional Representation League has analyzed the famous Pennsylvania primary and finds that in spite of the vast expenditures of money on the part of the candidates nothing was decided. The party is not united on the candidate who received the formal nomination although gaining but a mere plurality of votes. To quote the League:

"Mr. Vare was nominated by only 41 per cent of the Republican voters. Would he have been nominated if either Governor Pinchot or Senator Pepper had withdrawn? No one can tell. But it is certain that a large part of the Republican voters preferred either Mr. Pepper or Mr. Pinchot to Mr. Vare and that their votes were made ineffectual through division.

"Not only do the figures fail to show Mr. Vare's strength as compared with either of his opponents. They even fail to show the voters' first choices among the three. Around Philadelphia Governor Pinchot lost many votes of persons who preferred him, because in the Philadelphia papers the race was all between Pepper and Vare. Rather than waste their votes these persons voted for a second choice. Probably both Pepper and Vare lost some votes for similar reasons, for some of the country voters believed the race was between Pinchot and Vare, others that the race was between Pinchot and Pepper. That such assumptions were not altogether fantastic is shown by the actual totals outside the two counties which include Philadelphia and Pittsburgh:

Pepper	321,097
Pinchot	268,083
Vare	191,307

"Not having the gift of prophecy, the voters were effectually prevented from making their real wishes effective. The result will not even have the merit (from a party viewpoint) of concentrating the Republican vote on one candidate, for under the circumstances thousands of Republicans are expected to vote for William B. Wilson, the Democratic nominee."

The proportional Representation League does not counsel a return to the convention system but advises the adoption of a simple remedy by which voters may record first, second, third and successive choices, if need be, and thus assure that the result will be a real meeting of minds.

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Boston Ferry Service Costly.—The Boston Finance Commission has issued a report upon the ferry service operated by the public works department between Boston and East Boston. The report shows that the operation of the ferries has for years involved an annual deficit, amounting to more than $700,000 for the year 1925, and that the receipts from tolls bear no relation to costs. Toll rates have not been changed since 1887. Foot passengers still pay one penny,

and touring cars and driver six cents, against fifty cents paid for touring car and driver between Brooklyn and Manhattan, forty cents between Manhattan and New Jersey, and twenty-five cents between Philadelphia and Camden. The collection of tolls is also made in a slipshod manner and there exists practically no check on the number of vehicles transported and receipts therefrom. The commission recommends that the tolls for vehicles be substantially increased and that a modern system of duplicate checking and collection of tolls be installed.

Admitting that a ferry system maintained by a municipality should pay for itself, the findings of the Boston Finance Commission cannot be disputed. However, there may be another side to the question. The commission reports that earlier efforts to increase tolls have been obstructed by residents of the districts served and it is possible that there is some justice in their contention in this day of universal free bridges and free highways. It is not impossible that a free ferry system may be economically profitable to a community.

Vienna gives free to each resident a minimum amount of water each day and defends the practice on health grounds. Under certain circumstances it is not unthinkable that a municipal corporation owes its citizens free ferry service.

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Success in Marketing Sewage Sludge.—Morris M. Cohn, superintendent of the bureau of sewage disposal, Schenectady, New York, writing in the *Engineering News-Record*, describes the success which his bureau has had in marketing sludge to farmers and thus reducing the expenses of operation of the sewage disposal plant. Earlier attempts to give the material away had failed and the sludge was being used exclusively to fill low spots in the land sites. But in 1924 Mr. Cohn decided to make a strenuous effort to interest the local farmers in sludge as a fertilizer. He received a favorable report from the state college of agriculture to the effect that farmers could well afford to haul away the material if furnished free of charge, but that it was difficult to state how much they could afford to pay for it.

With the coöperation of the local farm bureau, articles were published in the local papers, exhibit samples were displayed at the meetings of the farm bureau and the farmers' interest enlisted. The price originally charged was ten cents per load and last spring it was raised to twenty-five cents without noticeable decrease in the demand. The average haul for the farmers was six miles, the longest being fifteen miles.

Great success has been reported with all types of crops. Considering the difference in price the sludge is more profitable than commercial fertilizer. Farmers were warned not to use the material in any crop that grew in or on the ground and was eaten in a raw state.

✠

Venice, Florida.—The planning and construction of Venice, Florida, is of interest to all those who believe in better planned cities. Venice, located on the Florida west coast, is a project of the Brotherhood of Locomotive Engineers who have to date invested in it about ten million dollars.

Dr. John Nolen, writing in the *Manufacturer's Record*, states that Venice marks the beginning of a new day in city planning not only in Florida but in all the United States. The whole undertaking has been financed by the Brotherhood independently of the sale of lots. The city has been completely planned in advance and includes its own farm lands and agricultural community. Expert planners were engaged from the first in developing the beauty and utility of the city to the utmost. The street and sidewalk system is being constructed to permit consistent and continuous expansion. The schools are rationally located, the park system has been planned for an indefinite future and the drainage system will meet increased requirements for years. "Venice," states Dr. Nolen, "is laid out to take care of at least two generations yet to come." The demand for five- and ten-acre tracts is so great that workmen are toiling day and night to clear the lands, build roads and put the soil in shape for immediate use.

✠

Comptroller Charles W. Berry, of New York City, has declared that the 1927 budget could be reduced forty million dollars under the present budget by the elimination of waste and overlap in departmental operations, and that if given the chance he could effect this reduction himself. The proposed budget for next year amounts to $476,000,000 or $39,000,000 increase over the current year, and the comptrollers' assertion promises a net reduction under what will be asked for next year of nearly $80,000,000. Mr. Berry would effect his economies by the reorganization of virtually every department in the city, except

his own, along somewhat the same lines as Governor Smith's reorganization of the state administration. He would also curtail certain alleged extravagances, such as the city's automobile bill which now amounts to $4,000,000 a year. For his own department the comptroller has asked for slightly less money next year than his budget allowance for this year. This, he states, has been made possible through a reduction in his office force and other economies which he has instituted.

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The Mitten Management, which controls the Philadelphia Rapid Transit Company, believes in coördinated street transportation. It realizes that the position of the street railway in the modern city is yet to be determined in the light of the severe competition from the automobile, the subway and the motor bus. Mitten Management already operates, in addition to the Philadelphia street railways and the subway and elevated lines, an extensive motor bus service coördinated with electric transportation. It also owns and operates the Yellow Taxicab service and a motor coach service to New York. Recently it has provided parking space on the fringe of congested traffic and is advertising to park your car with P. R. T. and ride the street cars or buses.

Mitten Management's latest addition to the transportation network is a passenger aëroplane service between Philadelphia and Washington. Passenger planes leave Philadelphia for Washington and vice versa twice daily. The round trip fare is twenty-five dollars and the report is that the planes carry practically capacity loads every day.

✻

The Life of a City Manager is not peaceful at best. Attacks from members of a discredited political machine supplanted by manager government are always bitter and Manager O. E. Carr of Fort Worth, Texas, is the latest to have attracted their hostility. A suit has been filed for the removal of Mr. Carr and the complete city council. The complaint alleges that the manager's salary is exorbitant and excessive. Other charges of needless expenditure are made.

Our best advice is that the movement has been instituted by individuals acting through personal spite or who desire to regain control of the government.

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The Nineteenth Annual Convention of the Assembly of Civil Service Commissions was held in Philadelphia, September 13 to 17. Civil service commissioners and officials were in attendance from all parts of the United States and Canada. A feature of the convention was the luncheon tendered the delegates by the Pennsylvania Civil Service Association. The luncheon was addressed by Ellery C. Stowell, President of the Better Government League, Washington, D. C., and Col. C. O. Sherrill, city manager of Cincinnati.

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The Mayor of Kansas City, Kansas, has been made the subject of ouster proceedings filed in the state's supreme court by the attorney general. The suit carries with it the ouster of the chief of police also. The charge against the mayor is failure to enforce the laws, particularly the prohibition law. It is also charged that he has permitted the existence of gambling houses and houses of ill-repute in the city and that undue preference has been shown professional bondsmen.

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The "Virginia Municipal Review" carries a warm tribute to General Jerveys, who has resigned as city manager of Portsmouth, Virginia, to accept a professorship at the University of the South.

General Jerveys is considered a high type of man by all who know him and he has been an ornament to the city manager profession. The *Virginia Municipal Review* states that few men of higher consciousness of the sacredness of public duty have served Virginia.

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Citizens of Charleston, South Carolina, are working for the passage of an enabling act in the 1927 legislature to permit the people of the city to vote on a city manager amendment to their charter.